



*sparebanken
sogn og fjordane*



Annual Report

2023

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This report is a translation of the official Norwegian report.

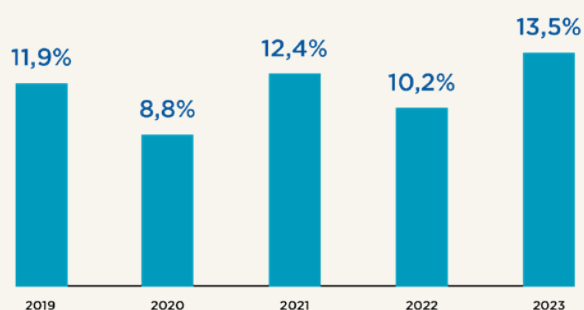
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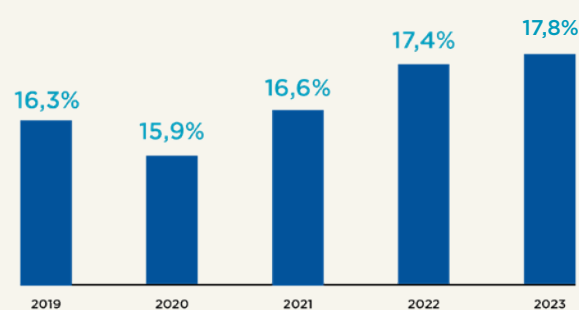
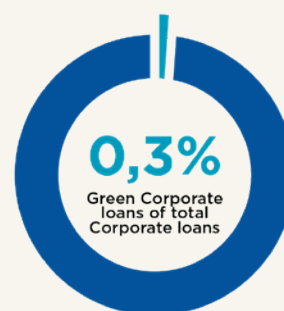
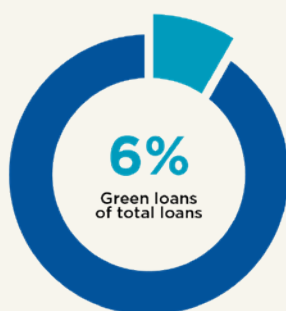
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Selected key figures

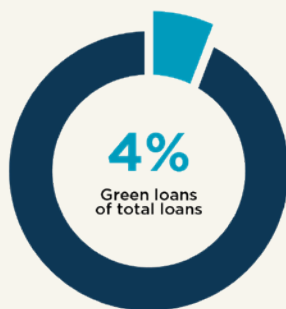
Return on equity after tax



Core Tier 1 capital

Green loans
at 31.12.2023

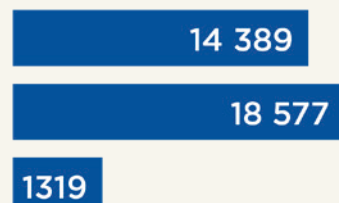
At 31.12.2022



Retail Market







Corporate Market



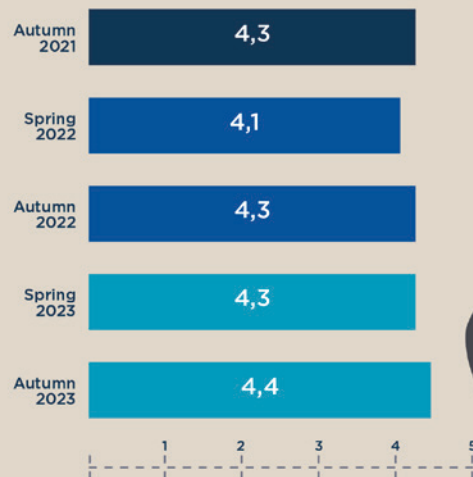
Visits to ssf.no in 2023



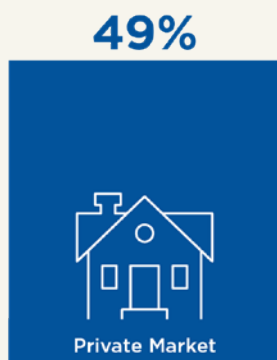
Greenhouse Gas Emissions

	 Own operations	 Corporate market loan portfolio	 Retail market loan portfolio	 Total emissions
Direct emissions (Scope 1)	12,3 tCO ₂ e	—	—	12,3 tCO ₂ e
Indirect emissions from purchased energy (Scope 2)	30,8 tCO ₂ e	—	—	30,8 tCO ₂ e
Indirect emissions from value chain (Scope 3)	34,8 tCO ₂ e	145 809 tCO ₂ e	2 533 tCO ₂ e	148 376 tCO ₂ e
Total greenhouse gas emissions	77,9 tCO ₂ e	145 809 tCO ₂ e	2 533 tCO ₂ e	148 420 tCO ₂ e

Employee satisfaction



Market shares for loans to the retail and corporate markets in Sogn og Fjordane



31.12.2022



31.12.2023



Key figures, consolidated

AMOUNTS IN MILLIONS OF NOK

INCOME STATEMENT

	2021	2022	2023
Net interest income	945	1 148	1 466
Dividends and gains/losses on financial instruments	173	0	34
Other operating income	157	166	167
Operating expenses	483	499	546
Profit/loss before impairment loss (incl. securities)	791	815	1 121
Profit/loss before impairment loss (excl. securities)	618	815	1 088
Impairment loss	- 37	36	13
Profit/loss before taxation	827	779	1 108
Tax expense	161	177	261
Profit/loss after taxation	666	602	847
Other comprehensive income	0	0	0
Comprehensive income	666	602	847

BALANCE SHEET

Assets

Gross loans and advances to customers	57 651	61 498	64 286
Loss allowance	- 307	- 314	- 316
Security investments (shares, fixed income funds, commercial paper and bonds)	7 368	8 225	8 361

Debt and equity

Deposits from and debt to customers	32 536	34 846	35 796
Debt securities and debt to credit institutions	25 835	27 673	28 542
Equity	6 249	6 645	7 316
Total assets	65 808	70 824	73 556
Average total assets	64 604	68 515	72 573

KEY FIGURES

Profitability

Net interest margin	1,46 %	1,67 %	2,02 %
Other operating income (excl. profit/loss on fin. instr.) as a % of average total assets	0,24 %	0,24 %	0,23 %
Operating expenses as a % of average total assets	0,75 %	0,73 %	0,75 %
Profit/loss before impairment loss as a % of average total assets	1,22 %	1,19 %	1,55 %
Profit/loss before tax as a % of average total assets	1,28 %	1,14 %	1,53 %
Profit/loss after tax as a % of average total assets	1,03 %	0,88 %	1,17 %
Comprehensive income as a % of average total assets	1,03 %	0,88 %	1,17 %
Oper. exp. as a % of oper. income excl. gains/losses on fin. instr.	43,87 %	37,99 %	33,41 %
Oper. exp. as a % of oper. income incl. gains/losses on fin. instr.	37,93 %	37,98 %	32,73 %
Impairment loss as a % of gross loans	- 0,06 %	0,06 %	0,02 %
Return on equity before tax 1)	15,38 %	13,21 %	17,60 %
Return on equity after tax 1)	12,39 %	10,21 %	13,46 %
Pre-tax return on equity (comprehensive income) 1)	12,39 %	10,21 %	13,46 %
Consolidated comprehensive income per equity certificate (weighted), in NOK	29,91	26,98	37,79
Dividend payable per equity certificate, in NOK	9,00	12,00	25,00

1) Return on equity is calculated based on opening equity excl. hybrid capital

Capital and liquidity position

Capital adequacy ratio	19,44 %	20,15 %	21,03 %
Core capital adequacy ratio	17,66 %	18,39 %	19,04 %
Core Tier 1 capital adequacy ratio	16,62 %	17,36 %	17,75 %
Leverage ratio	8,86 %	8,65 %	8,84 %
Liquidity Coverage Ratio (LCR)	140 %	165 %	165 %
NSFR, consolidated		122 %	122 %

Balance sheet history

Growth in total assets (year-on-year)	5,02 %	7,62 %	3,86 %
Growth in gross customer lending (year-on-year)	5,40 %	6,67 %	4,53 %
Growth in customer deposits (year-on-year)	6,10 %	7,10 %	2,72 %
Deposits as a % of gross lending	56,44 %	56,66 %	55,68 %

Employees

Full-time equivalent employees as at 31 Dec.	273	283	286
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CEO's review



We're joining the SpareBank 1 alliance

2023 was an unusual year for the economy, both globally and in Norway.

In total, Norges Bank raised interest rates 14 times. Now there are strong signs that interest rates have peaked, and for the moment it appears that the threat of a recession, which has been hanging over us, is receding.

The geopolitical situation is becoming more tense around the world, including more intense warfare. In addition to being humanitarian tragedies, which affect all of us, wars generate global economic and political uncertainty, with the potential to create big knock-on effects.

Strategic choices

Our vision is still to be a driving force for Sogn og Fjordane, and in recent years we have worked hard to make the strategic choices that will ensure our region has a strong savings bank that can be precisely the driving force that our part of Vestland county needs.

On 26 April 2023, we announced our decision to buy into the SpareBank 1 alliance, which represented our biggest strategic decision since the creation of Sparebanken Sogn og Fjordane in 1988. By cooperating and sharing technology, we will stand more securely as an independent bank in the county of Vestland.

According to the plan, we will become a SpareBank 1 bank in the autumn of 2024, and become the biggest bank in SamSpar. We look forward to being a proactive partner and resource for the alliance.

Strong results in 2023

Sparebanken Sogn og Fjordane can look back on yet another year of strong growth and healthy profitability. We are very satisfied with our profit before taxation of NOK 1,108 million. The profit from our core business rose strongly, and in 2023 we once again reaped the rewards of many years of stable, good and profitable growth.

Businesses in Sogn og Fjordane coped well over the course of the year, and although many households are financially worse off, we are still experiencing low levels of defaults and payment difficulties. This meant that impairment losses were low in 2023, and combined with an improvement in financial items and cost-efficient operation, the bank achieved a record profit.

Our profit after taxation for 2023 is equivalent to a return on equity of 13.5%. We have been achieving good results for a number of years now, and over the past 5 years our return on equity has averaged 11.4%. That allows us to pay dividends to our shareholders, while also having the capacity to provide loan financing to our customers in the future.

Businesses are vital to the region

The business community in Sogn og Fjordane is vital to the region's viability. Without jobs, the population cannot grow. That is why providing financing to businesses is one of our most important social missions.

In 2023, we experienced slightly lower demand for financing, due to higher interest rates and an uncertain economic outlook. Nevertheless, our sense is that businesses coped well during the year, but we are noticing that some industries, such as the construction industry, have been hit harder than others by rising interest rates.

Customer focus

We have 6 out of every 10 limited companies in the region as our business customers, and a market share of 50 percent in the retail market in Sogn og Fjordane. We are also growing across Norway, with 8 out of 10 new retail customers coming from outside our core region.

It is important to have a close and trusting relationship with our customers. In both the corporate and retail markets, we are taking on more customer advisers, in order to ensure that we are market leaders in terms of being close to our customers.

In 2023 our profit enabled NOK 80 million to be given to local good causes, within culture, sport, business and health. The bank also has 50 sponsorship agreements spread across the region, which ensures that sports clubs and organisations have predictable and adequate finances.

Our organisation in a year of change

A good working environment is vital to making us a safe and attractive place to work. It is important to us to maintain and develop our organizational culture.

Over the coming year, all of our employees will be directly affected by the changes taking place. We will introduce new systems and new ways of working. We will become part of a national professional network and we will get a new logo on our chest and on our branches.

Together with SamSpar and SpareBank 1 Utvikling, we have designed a project that will ensure an efficient transition to the alliance. We are also focusing on both our operations and our goals for growth. We need to make sure that we enter the alliance as a strong bank with customer growth and costs that are firmly under control.

Sustainability

Sustainability is important to the development of our society, and as a financial institution we have an important role to play in the green energy transition. Last year we reported, for the first time, the emissions figures for our corporate loan portfolio. In 2023 we looked in even greater detail at our financed emissions.

In December 2023 we joined the Partnership for Carbon Accounting Financials (PCAF), which will give us access to a comprehensive emissions database and guidance. That will enable us to calculate our financed emissions even more accurately in 2024, which is important in our work to reach net zero emissions by 2050.

Looking ahead

Our vision is still to be a driving force for Sogn og Fjordane. In order to realise that vision, we must add value for, and live up to the expectations of, our shareholders, customers, employees and lenders, as well as the authorities and the local communities in our core markets. That is a vital prerequisite for continuing to develop the bank.

We have now rolled out our strategy for realising our ambitious plans for 2024, which involves combining smooth project execution with focusing on our customers and on sound banking operations.

I would like to thank our shareholders, employees, customers and partners for their collaboration in 2023. We have a highly qualified team of workers that is motivated and ready to continue developing the bank and the region in the future, in due course in SpareBank 1 colours.



Trond Teigene
CEO

Facts about Sparebanken Sogn og Fjordane

Market, total assets and number of employees

Sparebanken Sogn og Fjordane is the largest bank in the Sogn og Fjordane region of Norway, with total assets of NOK 73.6 billion and 286 full-time equivalent employees. The Bank has 12 branches in Sogn og Fjordane. It also has a branch in Bergen.

Retail banking market

The Bank is the dominant player in the retail banking market in Sogn og Fjordane. It has NOK 48.7 billion in outstanding loans to people in Sogn og Fjordane and the rest of Norway. This comprises 76 percent of the Bank's total lending. Deposits from retail customers total NOK 21.7 billion, comprising almost 61 percent of our total deposits. The Bank has regional financial services centres offering financing, investment, estate agency and insurance products. In recent years, an increasing share of our growth has come from outside our core geographical market. The Bank sells Frende's insurance products and markets leases and secured loans offered by SpareBank 1 Finans Midt-Norge AS. We also market Norne Securities' investment funds. We operate nine cash machines and 83,321 of our customers have signed up for online banking.

Corporate banking market

The Bank has NOK 15.6 billion of outstanding loans to businesses, primarily in Sogn og Fjordane. This comprises 24 percent of the Bank's total lending. Corporate deposits total NOK 11.9 billion.

Public/financial sector

Many of the municipalities in the region use Sparebanken Sogn og Fjordane as their main bank. In total, the public sector has NOK 2.0 billion of deposits held with us. We also have NOK 0.6 billion of deposits from financial institutions.

The Bank as a driving force for Sogn og Fjordane

Sparebanken Sogn og Fjordane's vision is to be a driving force for the Sogn og Fjordane region. We aim to fulfil this vision by providing good advice and supplying capital to sound commercial projects and private individuals.

We are involved in a wide range of cultural ventures, and recognise the value of culture – in the widest possible sense – to the development of local communities. As part of this, we sponsor most major cultural events in Sogn og Fjordane. Of our profit for 2023, we propose to allocate NOK 507 million for dividends and gifts. Some of this goes to support the voluntary sector. Quality of life, diversity and innovation are the keywords that guide the Bank's contributions.

In recent years, we have focused heavily on integrating sustainability into our operations. We have further expanded our sustainability reporting in the 2023 annual report. The Bank is aiming high with respect to the green transition, as is evident from the annual report for 2023.

Financial calendar

We expect to publish our 2024 interim reports on 30 April 2024 (Q1), 14 August 2024 (Q2) and 30 October 2024 (Q3).

These reports will be published on our website at www.ssf.no, and will be available in English as well.

Consolidated financial statements

In addition to the parent company, the Group operates through three subsidiaries: Bustadkreditt Sogn og Fjordane AS, Eigedomsmekling Sogn og Fjordane AS and Bankeigedom Sogn og Fjordane AS.



Nordfjord smart house



Lise Mari Haugen



JAJA in Fjaler



The Sandene team

2023

BRIEF HIGHLIGHTS

Here are some of the things that have happened over the past year:

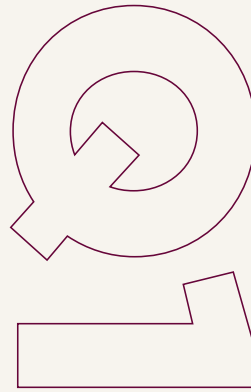
January, February and March

We presented our profit for 2022, which was NOK 779 million before tax.

The biggest single gift of the year was presented. The NOK 7.5 million award went to the new research and innovation centre HVL Robotics Lab. This robotics centre is based at the Western Norway University of Applied Science's campus in Førde.

Our live webinars for retail customers have been a great success. In March we held our first webinar for our business customers – on investment funds.

In Nordfjordeid, 60 students from six different courses at the Stryn and Eid colleges worked together to build Norway's greenest smart house, the Nordfjord Smarthus. The project received a NOK 750,000 gift from the Bank's profit.



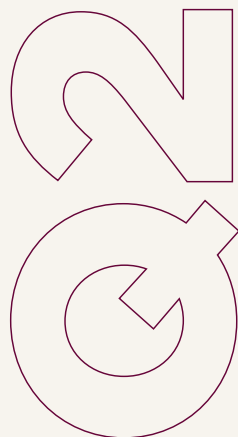
April, May and June

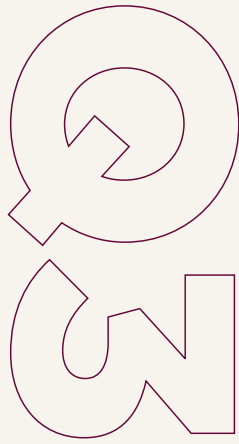
In April, Lise Mari Haugen was elected as the new Chair of the Bank's Board of Directors. Haugen is the Deputy Chief Executive of Sunnfjord Municipality and has sat on the Board since 2015. She also became the Chair of the foundation Sparebankstiftinga Sogn og Fjordane.

On 26 April it was announced that Sparebanken Sogn og Fjordane would invest NOK 630 million to become a joint owner of the SpareBank 1 alliance. As a result, Sparebanken Sogn og Fjordane will change its name to SpareBank 1 Sogn og Fjordane during 2024.

A total of NOK 5.2 million of the Bank's profit was distributed through Sparebankstiftinga Fjaler. This money went to worthy projects in Fjaler Sparebank's old heartland in the Fjaler and Holmedal area.

In June we celebrated the opening of our brand new branch in Sandane.





July, August and September

Over the summer we supported 20 events in Sogn og Fjordane. These included Skjærgårdstreffet, Måløydagane, Malakoff and Havblikk. We organised free fitness training sessions with Funkygine in Førde and Sogndal. In total, 1,100 energetic people joined in these sessions with the fitness influencer.

We contributed to conferences like Heilekonferansen and Kraft i Vest. At the latter, the Drivprisen prize was awarded, with our CEO Trond Teigene on the jury. The 2023 prize went to Renasys from Førde.

In October, 1,600 students and parents in Sunnfjord attended a talk about the potential consequences of drug and alcohol abuse. We helped to organise the talk, which more people in Sogn og Fjordane will have a chance to hear in 2024.

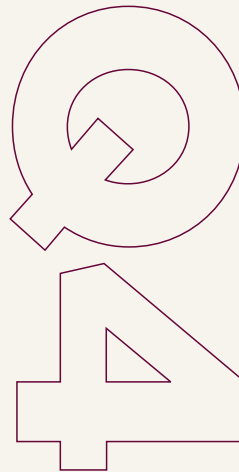
October, November and December

In November, Jill Aasen Hole took up the role of Acting Technology Director. Reiel Haugland, who normally occupies the post, has been given responsibility for leading the project to integrate the Bank in the SpareBank 1 alliance.

2,400 people of all ages enjoyed free Christmas films with us. In total, there were 15 showings of Christmas on Cobbler Street across Sogn og Fjordane.

Good partnerships will stay in place. At the end of 2023 we signed new agreements with the Førde Festival, Florø football club and Sogn og Fjordane skiing association, which is celebrating its 100th anniversary.

At the end of the year, a number of large gifts were made from our profit. These included three million Norwegian kroner for a centre to promote the use of the Nynorsk language in the performing arts, two million for the Red Cross's new emergency shelter at Hodlekve and one million to the Norwegian Fjordhorse Centre in Nordfjordeid.



Fitness influencer Funkygine



Talk on drugs and alcohol



Jill Aasen Hole



Norwegian Fjordhorse Centre

Financial targets

Return on equity	> 11 %
Cost-to-income ratio	< 40 %
Core Tier 1 capital adequacy ratio*	> 17 %
Dividend payout ratio	≥ 50 %

Return on equity

The Bank aims to achieve financial results that represent a good, stable return on the Bank's equity. Profit after taxation should give a return on equity of over 11%.

Cost-to-income ratio

Cost efficiency is a priority for the Bank. As a percentage of total income, costs shall be under 40%.

Core Tier 1 capital adequacy ratio

Sparebanken Sogn og Fjordane shall have strong finances. By that we mean that the Bank shall have an adequate buffer in relation to the regulatory capital adequacy requirements. The buffer shall reflect the Bank's activities, risk profile and growth plans. The target for our core Tier 1 capital adequacy ratio is 17.0%, which is reassessed if the capital adequacy requirements change. The core capital adequacy ratio and total capital adequacy ratio shall always satisfy the regulatory requirements.

Dividend payout ratio

Profit for the year is split between equity share capital and primary capital in proportion to the ownership ratio between them. Dividends and gifts are adjusted in response to expected profitability, the business environment and the need for core capital. Over the coming years, it appears that the Bank will be in a strong position to pay out dividends, and it aims to disburse at least 50% of its profit each year.

2024 Strategy

Sparebanken Sogn og Fjordane's vision is to be a driving force in Sogn og Fjordane.

We are the leading bank in our core region, with a strong market position. For a long time our strategy has also been to grow our presence in the retail market outside the region, and this continues to be the case.

Our most important social responsibility is achieving satisfactory profitability, so that we can provide the financial muscle needed by local businesses. Our profits shall be ploughed back into our region through big and small contributions to business development, education, culture, research, sport and healthcare.

On 26 April 2023, we announced our decision to buy into the SpareBank 1 alliance. By doing so, we set our strategic direction for the coming years. In 2024 we will focus particularly on continuing the Bank's operations and growth during the conversion process, and on ensuring that our entry into the alliance goes smoothly.

Our priority is for our customers to have the best possible customer experience throughout 2024, and for a seamless transition to new cards, a new mobile banking app and a new website. We have set ourselves high standards in terms of regulatory compliance as we enter a new alliance.

Regular surveys, such as EPSI, reveal high and stable levels of customer satisfaction and loyalty, both within and outside Sogn og Fjordane. We believe in sustainable development, and engage in relevant activities at a local and global level. We have selected four Sustainable Development Goals that are particular areas of focus, and sustainability is an important element of the Bank's overall strategy, in addition to which we have a separate sustainability strategy.

We are working proactively to maintain high levels of job satisfaction, and to develop a performance culture based around highly skilled employees. That will be especially important in a year when our employees will encounter new systems used jointly by the alliance.



Promoting sustainable development

Corporate social responsibility and sustainability are an integral part of the Bank's operations, and responsibility for them is allocated through the various strategies, actions and activities planned and implemented by the Bank. The Bank's overall strategy, which is adopted by the Board of Directors each year, provides a framework for our work on sustainability. According to our strategy for 2024, "The Bank's actions and goals relating to sustainability shall be further developed and reviewed in our sustainability strategy". In 2022, the Bank adopted a separate sustainability strategy with specific goals and actions that run through to the end of 2024.

We have an interdisciplinary sustainability group headed by a sustainability officer. Sustainability shall be taken into account in all of our procedures and policies, and it shall form a natural part of our operations. Each of the Bank's areas of operations is responsible for taking sustainability into consideration in its work. The sustainability group has developed a strategy for our work on sustainability, including goals and actions for all areas of operations. The strategy has been adopted by our Group Management Team, and the sustainability group is responsible for monitoring progress and updating the plan. The strategy is not a static document; it will be continuously updated with new goals and actions. You can see our goals and actions at www.ssf.no/berekraft/berekraftsstrategi/. The Board of Directors receives regular updates on progress with the Bank's strategy, including in relation to sustainability. There is a separate annual update on the sustainability strategy.

The UN Sustainable Development Goals play a key role in our strategic work. We are working actively on the SDGs, and we have selected four that we want to focus on particularly and where we hope to have an especially strong impact. In our strategy, we have established specific goals and associated actions to help us achieve them. In our work on sustainability, we focus both on ourselves and our own operations, and on our customers, suppliers and other partners. In 2022 we performed a materiality assessment to determine our key sustainability topics, including both the ones that are important to the Bank and the ones that are important to our stakeholders. In 2023 we started work on a double materiality assessment to identify the areas where we have a negative and positive effect, the risks and opportunities that exist, and the actions that can reduce our negative effects. The assessment, which will be published during 2024, will provide a good basis for our future work. That is an important step towards playing a positive role in supporting the transition to a more climate-friendly and sustainable society.



Corporate social responsibility

Sparebanken Sogn og Fjordane's biggest responsibility to society is to achieve satisfactory profitability. This is what allows it to promote growth and development in Sogn og Fjordane. The Bank's profit benefits Sogn og Fjordane. The bank shall provide capital to businesses and ordinary people to finance sound projects, enabling us to be a driving force for Sogn og Fjordane. Our good local knowledge and proximity to our customers shall be used for the benefit of the local business community. Some of our profit is donated and used to generate activity in our local communities.

Good credit scoring models are one of our most important tools for responsible lending. The models estimate the ability and willingness of customers to repay their loans. We must offer the right credit limits to the right customers. Our advisers must be transparent when they explain our products, terms and conditions, interest rates and fees.

Through our lending activities, we can help to promote sustainable development. We shall demonstrate corporate social responsibility and help our customers to take sustainable decisions. One way to achieve that is to offer green products on attractive terms.

As part of its sustainability strategy, the Bank has developed a green framework for issuing green bonds. This is a joint framework for Sparebanken Sogn og Fjordane and Bustadkreditt Sogn og Fjordane. The Bank's sustainability strategy makes it a priority to finance green assets. Each year, we will report on the impact of the green assets in terms of lowering CO2 emissions and on changes in the volume of green assets. You can find out more about our green framework at ssf.no/berekraft.



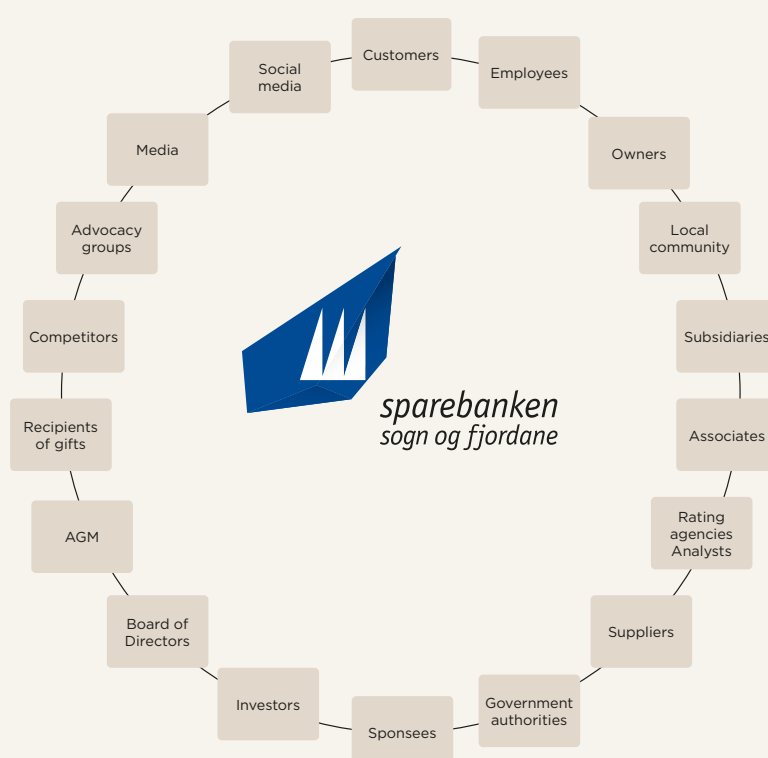
Materiality assessment and stakeholder engagement

The Bank is constantly engaged in dialogue with its stakeholders. This involves identifying stakeholders, gathering suggestions and integrating them into our operations, and communicating information that is of importance to the stakeholders. Dialogue and cooperation with a variety of stakeholders is vital if the Bank wants to achieve its ambitions, maintain trust and have a good reputation in society.

At Sparebanken Sogn og Fjordane, we are convinced that we must respond to the interests of a wide range of stakeholders, as well as those of our owners. Stakeholder engagement is a vital prerequisite for succeeding with that. In order to ensure good stakeholder engagement, we use a variety of tools, including surveys of our customers and employees, and meetings in a variety of contexts.

OVERVIEW OF STAKEHOLDERS

The figure below shows which groups we have defined as the Bank's stakeholders; it is not exhaustive.



We have defined our stakeholders and the topics of interest to them, and below we have set out how we work with some of our stakeholder groups.

STAKEHOLDER GROUP	TOPICS OF INTEREST TO STAKEHOLDERS	HOW WE APPROACH THIS
Customers - Retail customers - Corporate customers - Clubs and associations	- Prices and terms and conditions - Sponsorship and CSR - Good digital solutions - Local links - Financial expertise - Transparent and ethical business practice - Climate change and the environment	- Customer meetings - Customer surveys - Discussions about sustainability in conjunction with credit underwriting - Webinars, seminars and conferences - ESG assessments when performing credit checks on businesses - Social media

STAKEHOLDER GROUP	TOPICS OF INTEREST TO STAKEHOLDERS	HOW WE APPROACH THIS
Employees	- Working conditions	- Training and courses
- Parent company	- Working environment	- Various meetings and working groups
- Subsidiaries	- Corporate social responsibility	- Employee satisfaction surveys
- Directors and committee members	- Equality and diversity	- Annual events
- Safety representatives	- Professional development	
Owners	- Operations, profitability and financial results	- Regular meetings
- Sparebankstiftinga Sogn og Fjordane	- Transparent and ethical business practice	
- Sparebankstiftinga Fjaler	- Distribution of gifts	
	- Climate change and sustainability	
Local community	- Transparent and ethical business practice	- Events
- Non-customers	- Financial expertise	- Gifts
- Politicians	- Business development	- Sponsees
- Educational institutions	- CSR, gifts and sponsorships	- Media
- Recipients of gifts	- Support for education and innovation	
- Sponsees	- Grants for talented young people	
Subsidiaries and associates	- Operations, profitability and financial results	- Face-to-face and digital meetings
- Bustadkreditt Sogn og Fjordane AS	- Corporate social responsibility	- E-mail and phone
- Eignedsmekling Sogn og Fjordane AS	- Climate and sustainability (ESG)	
- Bankeigedom Sogn og Fjordane AS		
- Frende Forsikring, Balder, SB 1 Finans MN AS, Vipps,		
Credit rating agencies and analysts	- Operations, profitability and financial results	- Face-to-face and digital meetings
- Moody's Analytics	- Climate and sustainability (ESG)	- E-mail and phone
Suppliers	- Prices and terms and conditions	- Dialogue on tenders
- IT, markets, auditing, consulting activities, HR, health and safety, cash transport, security, energy, etc.	- Labour rights	- Face-to-face and digital meetings
	- Guidelines and policies relating to sustainability	- E-mail and phone
	- Responsible procurement	
Government authorities	- Operation	- Face-to-face and digital meetings
- Financial Supervisory Authority of Norway	- Regulations	- E-mail and phone
- Norges Bank	- Data protection (GDPR)	- Reporting
- Norwegian Competition Authority	- Anti-Money Laundering Act	- Inspection
- Norwegian Data Protection Authority	- Information security and stable IT systems	
- Parliament and government	- Responsible lending and investment	
- County and municipal agencies		

STAKEHOLDER GROUP	TOPICS OF INTEREST TO STAKEHOLDERS	HOW WE APPROACH THIS
Investors	<ul style="list-style-type: none"> - Corporate governance - Labour rights - Responsible and ethical business practice - Sustainability (ESG) - Sustainable products 	<ul style="list-style-type: none"> - Website - E-mail and phone
STAKEHOLDER GROUP	TOPICS OF INTEREST TO STAKEHOLDERS	NATURE OF DIALOGUE
Board of Directors/AGM	<ul style="list-style-type: none"> - Operations, profitability and financial results - Corporate governance - Climate change and sustainability 	<ul style="list-style-type: none"> - Regular monthly meetings - Face-to-face and digital meetings - E-mail and phone
Competitors	<ul style="list-style-type: none"> - Bank regulation - Climate risk - Work on sustainability (ESG) 	<ul style="list-style-type: none"> - Meetings - Dialogue - Various events
Stakeholder organisations	<ul style="list-style-type: none"> - The Bank's work on sustainability - Equality and diversity - Climate change and the environment 	<ul style="list-style-type: none"> - Meetings - Conferences and seminars - Reporting
Media	<ul style="list-style-type: none"> - Corporate social responsibility - Support for local businesses - Operations, profitability and financial results - Equality and diversity 	<ul style="list-style-type: none"> - Press releases/conferences - Blog posts, social media - E-mail and phone

Our material sustainability topics

In 2022, the Bank carried out a materiality assessment to uncover which environmental, social and governance (ESG) issues are important to our stakeholders. In conjunction with this analysis, it carried out surveys of our retail customers and employees, and consulted with our biggest shareholders, suppliers and other partners. The survey results clearly showed that our owners, employees and customers expected the Bank to put sustainability high on the agenda. In the survey, stakeholders were asked to list which sustainability topics they considered most material for the Bank. In order to study which topics are material, we have put the responses to the survey in a matrix.

In 2023 we started work on a double materiality assessment, which will be published in 2024.

Important to stakeholders	Material	<ul style="list-style-type: none"> • Digital security 	<ul style="list-style-type: none"> • Financial crime • Equal opportunity • Anti-corruption • Responsible lending
	Important	<ul style="list-style-type: none"> • Charitable donations • Data protection • Local ownership 	<ul style="list-style-type: none"> • Sustainability requirements for customers • Reducing GHG emissions • Contingency planning requirements for suppliers
		Important	Material
Important to Sparebanken Sogn og Fjordane			

Our material topics	Responsible lending	Financial crime	Anti-corruption	Equality and diversity
Sustainable Development Goals				
Our performance in 2023	<p>145.809 tonnes of CO₂ emissions from the corporate portfolio</p> <p>2.533 tonnes of CO₂ emissions from the mortgage portfolio</p> <p>0 in net emissions from our loan portfolio before 2050 is our ambition</p>	<p>100 % of employees have received training in anti-money laundering</p>		<p>38 % of management positions are occupied by women</p>

Eco-Lighthouse certification and GHG accounts

We are certified as an Eco-Lighthouse. This requires the Bank to demand that our suppliers and partners have a conscious policy on sustainability. In order to demand that of others, we must put our own house in order. We are proud to say that all of our branches are Eco-Lighthouse certified. We wish to continuously reduce the environmental impact of our own operations. In order to monitor progress on this, we have started reporting our annual greenhouse gas (GHG) accounts. They are based on the GHG Protocol, which is the most widely used standard for reporting the greenhouse gas emissions of companies.



Climate change and the environment

Most important steering documents

Bank's overall strategy, sustainability strategy, procurement policy, CSR and sustainability policy for the corporate market.

Related to these UN Sustainable Development Goals (SDGs)



Who is responsible at the Bank?

The Bank's sustainability officer is responsible for preparing the GHG accounts in accordance with the GHG Protocol. Together with the technical manager for property management, procurement manager and sustainability working group, they propose specific measures to reduce emissions.

EMISSIONS

WHY IS THIS IMPORTANT TO US?

Sparebanken Sogn og Fjordane shall be a business that supports the transition to a more climate-friendly and sustainable society. This is a natural part of our corporate social responsibility. We wish to be a driving force for the environment in Sogn og Fjordane, so it is important for us to strive to improve our own performance, as well as that of our customers and business partners.

HOW DO WE ADDRESS THIS TOPIC?

The Bank is certified as an Eco-Lighthouse and reports its emissions in accordance with the GHG Protocol. We monitor our own emissions and work systematically to reduce them. In addition, we have established requirements for our suppliers and business partners, so we also reduce emissions indirectly. Furthermore, we have signed up to various initiatives that involve an undertaking to reduce emissions. These include Klimapartnere Vestland, which commits us to being fossil fuel-free by 2030. Another example is signing up to the United Nations Environment Programme Finance Initiative (UNEP FI), which commits us to following six principles for responsible banking. We have signed electricity contracts with guarantees of origin for several of our branches.

WHAT DID WE ACHIEVE IN 2023?

The Bank keeps GHG accounts. Our goal is to reduce emissions, and we monitor our progress over the course of the year. In 2023 we have replaced yet another fossil fuel vehicle with an EV, and we have bought electricity with guarantees of origin. We use payment cards made of bioplastic, which reduces the emissions from manufacturing the cards. In 2023 we continued working to get a better picture of the emissions from our loan portfolio. We have calculated the emissions of our loan portfolios in both the corporate and retail banking markets. You can read more about that calculation in the section on climate risk (TCFD).

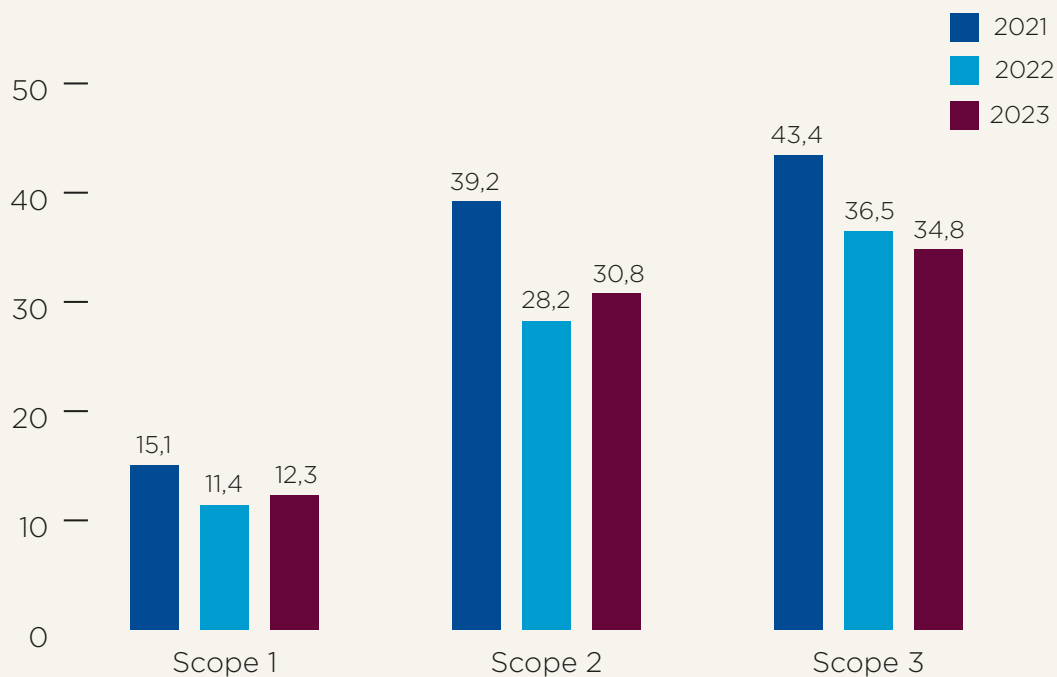
PLANNED FUTURE ACTIVITIES

In 2024 we will draw up a detailed plan of action for how to reduce our emissions. Our goal is to be carbon neutral by 2050, and our plan of action will include specific subsidiary targets to help us achieve that target. We have a shorter term target of striving to reduce our emissions by 55% by 2030. We will strive to make our own building more energy efficient, and obtain BREEAM certification. This is in conjunction with a major renovation of our head office in Førde.

OUR GREENHOUSE GAS EMISSIONS IN 2023 WERE DISTRIBUTED AS FOLLOWS

		Distribution excluding loans to customers	Distribution including loans to customers
Scope 1	12,3 tCO ₂ e	15,8 %	0,01 %
Scope 2	30,8 tCO ₂ e	39,5 %	0,02 %
Scope 3	34,8 tCO ₂ e	44,7 %	0,02 %
Emissions associated with our CM and RM loan portfolios	148 342 tCO ₂ e		99,5 %

Emissions in tCO₂e excluding loan portfolio:



COMMENTS ON THE GHG ACCOUNTS

In 2023, Sparebanken Sogn og Fjordane's total greenhouse gas emissions amounted to 148,419.5 tonnes of CO₂ equivalents (tCO₂e), which represents a significant decline over 2022. The main reason for the fall in emissions is a reduction in Scope 3 related to our financed emissions. This is a result of us calculating the emissions more accurately, with the help of Finance Norway's guidelines for calculating financed emissions, for some of the industries we lend to. You can read more about our methodology for calculating financed emissions in our TCFD report in the sustainability appendix. Scope 1 and Scope 2 emissions both rose in 2023. This is due to an increase in fossil fuel use in our own vehicles (Scope 1) and a small increase in energy consumption in 2023 (Scope 2). Scope 3 emissions excluding loans to customers fell in 2023, which was mainly due to greater use of EVs for business travel, instead of fossil fuel vehicles, and a higher proportion of cards being made of bioplastic. You can find more details in the section "Energy and GHG accounts 2023".



Initiatives we support

Sparebanken Sogn og Fjordane shall make a global contribution by being a driving force locally. We have signed up to both local and international initiatives that are relevant to our industry and our work on sustainability. It is important for us to commit to meeting external goals, in order to push us forwards and so we can help to reach shared goals that have been set across national boundaries.



Unep FI

Sparebanken Sogn og Fjordane has signed the United Nations Environment Programme Finance Initiative (UNEP FI). This is a global partnership between the UN and the finance sector that aims to promote sustainable development in the industry. By signing up to this, Sparebanken Sogn og Fjordane has committed itself to six principles for responsible banking.

WE SUPPORT



UN Global Compact

We have signed up to the UN Global Compact, which is the UN's voluntary set of principles for corporate sustainability. This commits us to running our business in line with ten principles on human rights, labour, the environment and anti-corruption.



Klimapartnere Vestland

The Bank is a member of Klimapartnere Vestland, which helps the public and private sectors to build networks and provides a platform for exercising corporate social responsibility in the region. As the biggest bank in Sogn og Fjordane, we have a responsibility to promote the green transition in the local region. We are proud to be involved in this partnership.



Women in finance

In 2022, we signed the Women in Finance Charter. The Women in Finance Charter aims to help increase the number of women in senior roles in the Norwegian finance industry. Equality and diversity are important elements of the transition to a more sustainable society.

In support of

WOMEN'S EMPOWERMENT PRINCIPLES

Established by UN Women and the UN Global Compact Office

The Women's Empowerment Principles

The Bank has also signed up to the Women's Empowerment Principles (WEPs), which consist of seven guiding principles on action to promote equality and increase women's rights in the workplace and in society. The WEPs were drawn up jointly by the UN Global Compact and UN Women.

Retail Market

2023 continued where 2022 left off: rising inflation, interest rate hikes, an ongoing war in Europe, the climate crisis and worldwide fear of a recession. This turbulent macroeconomic situation affects retail customers through higher expenses and, for many, uncertainty about their personal finances. In order to get the high level of inflation under control, Norges Bank has implemented several interest rate rises. That has resulted in the highest interest rates in Norway for many years, and high prices and interest rates made a dent in people's personal finances in 2023.

Most likely, interest rates peaked in 2023. For many retail customers, a growing proportion of their disposable income is going towards interest payments and covering basic living expenses. The high cost of living can be seen clearly in customers' liquidity and saving rates. At the end of 2023 there were fortunately signs of inflation coming down, and the economy is cooling.

More customers than in the past are coming to us to get good financial advice. Some just need a few pointers and to take some simple actions to adapt to the new financial situation, while others must make bigger adjustments. The number of people converting to interest-only payments or extending their mortgage terms has risen in comparison to previous years. Higher expenses have led to payment defaults rising slightly, but we are finding that most customers are able to deal with higher costs. Many customers have strong finances which allow them to adapt to the increase in costs. Factors such as low unemployment and stable house prices are, and will remain, the key to customers being able to cope with rising costs. We still believe that our customers have strong debt servicing capacity.

Both in challenging times and in good ones, it is important to be close to our customers, digitally and physically. Customers expect a quick response and to be able to perform a wide range of tasks on straightforward digital platforms. Sparebanken Sogn og Fjordane is here to help and to provide good advice.

In 2023, Sparebanken Sogn og Fjordane had a market share of over 50 percent amongst retail customers in our core area of Sogn og Fjordane. We are proud of our proficient employees, who together with our straightforward digital solutions and strong sense of social responsibility ensure good customer experiences when customers need us. The outcome of that can also be seen in our financial performance, with loans growing by 5.3% and deposits by 4.5%.

Sparebanken Sogn og Fjordane is the leading provider of savings and investment products in Sogn og Fjordane. 2023 was a very good year for our investment fund customers.

In spite of great geopolitical uncertainty and big and growing tensions, particularly in Europe and the Middle East, global markets, led by the United States, gave very good returns. The belief that interest rates have peaked and the hope that they will start to fall, both globally and in Norway, meant that our investment fund customers achieved an average return of just over 20%. The majority of our customers' investments are in global funds, and the continuing weakness of the krone gave an extra return on these investments in 2023.

In spite of people's personal finances being tighter, new sales were very strong in 2023, but we are noticing that some of our customers are reducing the amount they save each month, and a few are discontinuing their savings agreements.

The total capital invested in funds through SSF rose roughly 26% in 2023 to approximately NOK 5.4 billion. A combination of high returns and net purchases was the reason we ended the year with record high assets in investment funds. Our impression is also that customers have become more experienced and are aware that markets fluctuate, sometimes a lot. The great majority stick to their original savings plan and ride out both the ups and downs.

Many of our customers make regular monthly investments, of varying sizes, thus reducing the risk of investing a large amount of money at a time that in hindsight turns out to be sub-optimal. Our strategy of encouraging customers to gradually build up capital in equity funds through savings agreements remains in place in 2024, and is perhaps more important than ever before.

For Sparebanken Sogn og Fjordane's subsidiary Eigedomsmekling Sogn og Fjordane, the first part of last year was very busy, whereas housing transactions fell during the second part of the year. Thanks to its capable and qualified staff, Eigedomsmekling Sogn og Fjordane maintained its position as the market leader in Sogn og Fjordane, and it made a profit in 2023.

PROMOTING SUSTAINABILITY IN THE RETAIL MARKET

Responsible lending is an important part of the Bank's social mission. That includes being a responsible credit provider with good credit-scoring models. Sparebanken Sogn og Fjordane wishes to encourage its customers to make sustainable choices by offering them green products on favourable terms. That way, we can help customers to choose more sustainable options. As part of our work on sustainability, we have also set goals for the retail banking market.

Some of the goals we have worked towards in 2023

- Raise awareness of sustainability amongst our customers and advisers
- By the end of 2024, we shall have NOK 5 billion of green mortgages



GREEN PRODUCTS

Sparebanken Sogn og Fjordane offers customers a number of products that focus on sustainability. Through SpareBank 1 Finans Midt Norge, we offer electric vehicle loans. This gives customers who choose electric vehicles better terms than on a normal car loan. We offer green mortgages with more attractive terms for customers who buy energy-efficient homes with an energy performance rating of A or B. We also have green home improvement loans on favourable terms for customers who want to make their homes more energy efficient. Customers can obtain a loan to finance one or more upgrades, such as replacing windows or installing a heat pump, retrofit insulation or solar panels. We also offer various kinds of sustainable investment funds through our partnership with Norne and Norne's suppliers of investment funds. For our customers aged 0 to 18, we offer green savings accounts, where we guarantee that the money they save will be used to fund green loans. That means they can help to promote sustainable development, just by having a normal account with us. In 2022 we introduced new payment cards that are 82% bioplastic. In 2023, even more customers have started using our new cards. This has reduced the emissions associated with producing the cards.

GREEN MORTGAGES

The Bank's strategy includes a goal of becoming carbon neutral by 2050. In order to help us achieve this, we have set ourselves a goal of having NOK 5 billion of green mortgages by the end of 2024. The aim of this goal is to increase the proportion of green mortgages in our portfolio. Having a more energy efficient home reduces energy consumption and emissions. It also means that our customers' homes will need fewer upgrades in the future and will be more attractive if they want to sell them. In 2023, we analysed the energy performance ratings of the homes in our mortgage portfolio, and estimated their total greenhouse gas emissions, as well as the carbon intensity per square metre and per million kroner of lending in our portfolio. You can read more about this in the Bank's TCFD report.



RETAIL MARKET ENERGY PERFORMANCE RATINGS

RM energy performance ratings* for homes with mortgages

Energy performance rating	Number
Unrated	2 319
A	169
B	3 521
C	1 964
D	4 402
E	3 802
F	2 287
G	3 600
Total	22 064

*Energy performance ratings from ENOVA (self-reported) and estimated ratings from Eiendomsverdi/Simien

NUMBER OF GREEN MORTGAGES

Position at 31.12.2023

Green mortgages at 31.12.2023	NOK 3.95 billion
Green home improvement loans at 31.12.2023	NOK 12.5 million
Total at 31.12.2023	NOK 3.96 billion
Goal by end of 2024	NOK 5.0 billion
Achievement rate	79%

NET ZERO BY 2050

In 2023 we calculated the emissions from our RM loan portfolio, which has given us a better picture of how we as a bank can help to reduce emissions. We calculate the emissions based on homes' energy performance ratings, which allow us to estimate how much energy they use. You can read more about how emissions are calculated in our TCFD report.

FINANCED EMISSIONS IN RETAIL MARKET

Total	Method	KgCO ₂ e
	Location-based	2 532 835
	Market-based	73 021 841
Carbon intensity	KgCO ₂ e per sq. m	2,02
	KgCO ₂ e per NOK million of lending	97,29

FOCUSING ON SUSTAINABILITY ACROSS THE BOARD

In 2023, as in previous years, we worked to raise the expertise of our organisation on sustainability. All of our advisers have attended a course on climate risk, giving them an insight into what this risk means both to customers and to the Bank. We have analysed the emissions associated with our loan portfolio, which has given us a better idea of how we can reach our goal of being carbon neutral by 2050. We will continue with this work in 2024. We will set ourselves subsidiary goals for the period between now and 2050 and introduce new measures to help our customers take more sustainable choices. At the start of 2024, we are rolling out an information campaign on energy performance ratings, to raise customers' awareness of these ratings, and how they can contribute to a more sustainable society. We will strive to improve our expertise on sustainability, which will benefit customers and society by allowing us to provide better advice to our customers.

Corporate banking market

In 2023, businesses in Sogn og Fjordane were strongly affected by high inflation and big interest rate rises. Businesses were not able to pass on all of the cost increases to their customers through price rises, which made many of them less profitable. Overall activity was better than feared, but the interest rate rises led to households putting off big investments. The construction industry, as well as parts of the retail industry, suffered a significant decline in demand for new homes and big-ticket items like cars and boats. Strong order books at the start of 2023 helped to dampen the impact of this, but demand will need to return to normal in 2024 if we are to avoid bigger consequences. The Bank follows the businesses in the region closely, and we believe that the business community is in a strong position to adapt to a challenging macroeconomic environment and lower economic activity for a while. The weak Norwegian krone pushed up the price of imported goods, but it had a positive impact on the aquaculture industry and resulted in more foreign tourists visiting the area.

A reduction in the willingness to invest is reflected in lower demand for loans from business compared with the high growth rate in 2022. Lending to corporate customers rose by 2.3% in 2023, against 7.9% in 2022. Deposits rose by 0.1% in 2023, compared with a 12.9% increase in 2022. The reasons for this are greater competition for deposits, lower profitability and a slight attrition of the liquidity of businesses.

The Bank is finding that volatile times and greater economic uncertainty mean that customers are even more appreciative of our stable team of advisers and our local decision-making. That gives them predictability and makes it easier for us to come up with good, balanced solutions. Having industry experts for 12 different industries ensures

that we have valuable knowledge that benefits our customers, and this also plays an important role in managing credit risk in the various industries. Our ongoing focus on skills development will continue in 2024, and we are looking forward to becoming part of the SpareBank 1 alliance, which will allow us to participate in the various industry events they hold.

For a long time, we have stressed the importance of offering a complete range of products to our customers. 2023 was a record year for savings and investment, and we sold high volumes of interest rate hedging products. We also experienced strong demand for insurance, pensions, secured loans and leasing, which we offer through our partners.



The corporate banking centre assists both customers and advisers, to ensure that our customers are left with the best possible impression of us as a bank.

Working closely with account managers, the Bank's corporate banking centre helps to ensure that we are available to and effectively meet the needs of our corporate customers. This good cooperation can also be seen in our work on preventing and uncovering money laundering and terror financing, and our advisers put a lot of time into this. The advisers working at the corporate banking centre also have specialist expertise on online banking and payment services.

PROMOTING SUSTAINABILITY IN THE CORPORATE MARKET

Sparebanken Sogn og Fjordane shall help ensure that profitable projects and investments receive financing, and by doing so promote economic growth in Sogn og Fjordane and the rest of Norway. We offer green business loans to companies and are supporting the green transition in our region.

SOME OF THE GOALS WE HAVE WORKED TOWARDS IN 2023

- We shall have the necessary expertise to advise our corporate customers on sustainability
- ESG shall form part of our conversations with, and advice to, customers
- We shall help to build up local businesses' expertise on sustainability



GREEN PRODUCTS

We shall offer a good range of products that promote sustainable investment, which is also a stated aim in our sustainability strategy. We want to promote a positive transition in the region, and we offer two types of green loans to corporate customers. We offer green business loans to companies that want to make sustainable investments, or that need financing to prepare their operations for the green transition. We have had green business loans in our product portfolio since 2021, and at the end of 2023 we extended our offering with another green loan called a green agricultural loan. This is designed for customers who need to invest in order to prepare their farms for the future. This includes measures such as energy efficiency, replacing machinery, biogas plants, etc.

	GOALS FOR 2024	POSITION AT 31.12.23	ACHIEVEMENT RATE
Green business loans	NOK 300 million	NOK 43.4 million	14 %

SUSTAINABILITY IN CREDIT CHECKS

We take sustainability into account in our credit checks on corporate customers. We use a separate Environmental, Social and Governance (ESG) and climate risk module in our credit checking system for business customers, where we assess companies in relation to all aspects of sustainability. Environmental, Social and Governance factors are included in all of our assessments. In 2023, as in previous years, we focused heavily on increasing our advisers' expertise on sustainability. All of our customer advisers for the corporate banking market have attended a course on climate risk and other sustainability topics relevant to our business community. We have worked hard to specify the expectations we have of our customers. Sustainability has become a bigger part of our conversations with customers, and we are working with the business community to become more sustainable. Last year, we held several events for businesses covering sustainability, where we discussed which reporting requirements will affect businesses and what must be done to fulfil the new requirements being introduced.

ESTIMATED CLIMATE RISK	LOANS IN MILLIONS OF NOK AT 31.12.2023	% OF LOANS
Very low risk	2 136	11,7 %
Low risk	8 453	46,4 %
Moderate risk	2 070	11,4 %
High risk	26	0,1 %
Very high risk	0	0,0 %
Unclassified	5 532	30,4 %
Total	18 217	100 %

Table taken from the Bank's TCFD report.

NET ZERO BY 2050

In 2023 we also started looking in even greater detail at the emissions of our loan portfolio, which gives us a better idea of how we as a bank can help to reduce emissions. The operations of many of the businesses to which the Bank provides credit have the potential to impact the environment. By providing credit, we can indirectly have an impact on the environment. That is why the Bank's credit strategy emphasises assessing customers' credit-worthiness over the long term. This shall include an assessment of customers' impact on the climate, the environment and society.

In 2022, for the first time we measured the emissions of our CM portfolio using Statistics Norway's emissions factor methodology. With the help of Finance Norway's guidelines on calculating financed emissions, in 2023 the Bank carried out more detailed calculations of emissions from agriculture and forestry, resulting in a higher PCAF data quality score than last year. For other industries in the CM, we have continued to use Statistics Norway's emissions factor methodology to calculate emissions, because the primary focus has been on agriculture and forestry.

In December 2023 the Bank joined the Partnership for Carbon Accounting Financials (PCAF), which will give us access to a comprehensive emissions database and guidance. That will enable us to calculate our financed emissions even more accurately in 2024.

Our calculations show that the Bank is most exposed to financed greenhouse gas emissions in the agriculture and forestry, transport, and fishing and hunting industries. Between them, agriculture and forestry and transport are responsible for around 63% of financed emissions, whereas the Bank's loans to these industries represent roughly 14% of CM loans. You can read more about our methodology and its limitations in the TCFD report in our sustainability appendix.

CORPORATE MARKET: FINANCED GREENHOUSE GAS EMISSIONS

INDUSTRY	EMISSIONS IN TCO ₂ E	CARBON INTENSITY
Public sector	50	12,57
Farming and forestry	65 490	38,75
Fishing and hunting	14 325	6,85
Aquaculture and hatcheries	51	0,09
Industry and mining	15 122	18,86
Power/water supply	13 164	17,81
Building and construction	4 415	2,75
Commerce/retail	4 650	4,68
Transport	26 403	46,90
Hotel and tourism industry	1 180	2,51
Services	643	0,77
Property management	315	0,06
Total	145 809	9,33

In 2023 we published a new policy for corporate social responsibility and sustainability for the corporate banking market, which sets an even clearer direction for our work. We will continue to raise our business customers' awareness of how they will be affected by climate change and influence them to make changes to reduce their risk exposure and their own emissions. We will continue to organise customer events focusing on sustainability and climate risk in order to spread knowledge and begin a dialogue, and by doing so we will be a driving force in our region.

On account of our social responsibility and values, there are certain industries and activities that we do not wish to finance. Other industries may be exposed to higher risks in relation to environmental, social and corporate governance issues. In those cases, we set extra requirements to customers. For example, we do not want to finance businesses that operate in the following industries:

- Gambling
- Manufacture of controversial weapons or armament manufacture without government approval
- Tobacco
- Companies that produce or help to spread pornographic material

You can find out more about our work in our sustainability and CSR policy for the corporate market at ssf.no/berekraft. Find out more about our green loans and work on climate risk in our appendices covering taxonomy-related information and climate risk TCFD.

Financial crime

Most important steering documents

Overall procedures to prevent money laundering and terrorism financing

Related to these UN Sustainable Development Goals (SDGs)



Who is responsible at the Bank?

The HR department and the legal section at the financial crime department

WHY IS THIS MATERIAL TO US?

Financial crime, such as fraud, corruption, occupational crime, money laundering and tax evasion, represents a big problem to society and is a threat to the welfare state, as well as undermining a sustainable business community based on free competition on equal terms. Combating financial crime, such as laundering money obtained from criminal activities, is an important task. It is part of our social mission to ensure that the financial industry is not used to facilitate criminal actions through our services and products.

HOW DO WE ADDRESS AND EVALUATE THIS TOPIC?

This topic is a high priority for the Bank. We take our corporate social responsibility seriously, by ensuring good compliance with laws and regulations designed to combat money laundering and terrorism financing. This helps to ensure financial sustainability and promotes societal development. As part of its work, the Bank shall identify and assess the risk of money laundering and terrorism financing associated with its clients, and ensure that appropriate counter-measures are taken based on its risk assessment. The Bank has zero tolerance for being used for money laundering or terrorism financing.

MEASURES IMPLEMENTED IN 2023

In 2023, all of the Bank's employees and Board members took a course on financial crime. The Bank raised its expertise on fraud, and improved work processes for restructuring, information sharing and staff awareness-raising. A number of full-time equivalent posts have been added over the past year. The Board of Directors focuses strongly on financial crime, and it receives regular monthly updates on developments relating to the risk of money laundering, terrorism financing, sanctions and fraud.

PLANS FOR 2024

The Bank will continue its work on training and staff awareness raising. This is a continuous process. In 2024, the Bank will hone its work processes and add staff in this area. The Bank will strive to make its monitoring of risks associated with financial crime more efficient and risk-based.



RISKS RELATED TO MONEY LAUNDERING, TERRORISM FINANCING AND SANCTIONS

In the Norwegian national risk assessment and the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime's risk assessment, the banking and finance industries are defined as industries at high risk of being used for money laundering. The Board of SSF has adopted a moderate risk tolerance with respect to the risk of money laundering and terrorism financing. All customer checks and activities to reduce risk at the Bank are risk-based, to ensure that resources are used as efficiently as possible. A prerequisite for this risk-based approach is carrying out a company-specific risk-assessment in which the Bank identifies and assesses its own risk with respect to money laundering and terrorism financing. If the residual risk is higher than the risk tolerance adopted by the Board of SSF, additional risk-reduction measures are implemented.

COMMUNICATION AND TRAINING	2023	2022	2021	2020
Number of employees who have received information about anti-money laundering	292	288	276	262
Percentage	100 %	100 %	100 %	100 %
Number of employees who have received training in anti-money laundering	292	288	276	98
Percentage	100 %	100 %	100 %	37 %
Number of Board members who have received information about anti-money laundering	8	8	8	8
Percentage	100 %	100 %	100 %	100 %
Number of Board members who have received training in anti-money laundering	8	8	8	0
Percentage	100 %	100 %	100 %	0

NOTES ON COMMUNICATION AND TRAINING

The bank ensures that employees and other people who do work for the Bank are given training so that they are familiar with the Bank's risk exposure, understand the Bank's obligations under money laundering legislation, and are able to recognise situations that may be indicative of money laundering and the financing of terror.

ACTUAL CASES AND COUNTERMEASURES	2023	2022
Total cases		
Total cases relating to internal fraud	0	0
Total cases relating to external fraud	1 055	633

COMMENTS

In 2023, the bank recorded 1 055 incidents of external fraud.

There has been an increase in cases of fraud in 2023, and the Bank has increased its efforts in this area.

In 2023 there were no confirmed cases of corruption or internal fraud.

Digital security and data protection

As a bank, we process the personal data and financial information of our customers, and information security is therefore vital to us. Sparebanken Sogn og Fjordane shall ensure that all kinds of data are protected against unauthorised lookups, alteration, destruction, disclosure or loss. We maintain high levels of expertise on information security in order to ensure that our solutions are secure and robust.

As a bank, we are subject to rules on confidentiality and information security, including the Regulations on the Use of Information and Communication Technology, the Personal Data Act, the General Data Protection Regulation (GDPR) and our banking licence. We also have our own policies on information security and data protection. We take a proactive stance to raising awareness of security issues amongst our own employees, which includes all employees doing a compulsory e-learning course on digital security and data protection in 2023.

Responsible procurement

At Sparebanken Sogn og Fjordane, we impose ethical and environmental requirements on our suppliers. By setting those requirements, we help to motivate and encourage our suppliers to follow international labour conventions and thereby reduce their carbon footprints.

Through contractual conditions and ISO certification, we are working to ensure that our suppliers follow national laws and regulations, as well as international UN and ILO conventions, requirements relating to carbon neutrality and environmental standards. The Bank has just over 150 main suppliers.

In accordance with its duties under the Transparency Act, Sparebanken Sogn og Fjordane has started carrying out due diligence assessments of its suppliers and other business partners in order to check that they are guaranteeing fundamental human rights and providing decent working conditions, and it reviews suppliers with identified risks.

We require our suppliers to:

- provide information about their sub-contractors
- follow SSF's ethical guidelines for suppliers
- report any non-conformities
- commit to rectifying any non-conformities; and
- for there to be a cancellation right in the event of non-compliance with points 1-4

MONITORING OUR SUPPLIERS

We are performing a survey of all of our suppliers, which will enable and is a prerequisite for due diligence assessments of our suppliers and business partners.

In the case of suppliers and business partners whose operations entail a high risk of breaches of fundamental human rights or the principle of decent work, a due diligence assessment and a review shall be carried out.

For medium-risk suppliers, a questionnaire shall be sent out and the Bank shall review the answers. Low-risk suppliers shall be reassessed if we become aware of conditions that make a new assessment appropriate, and otherwise at least in the course of our annual assessments of all suppliers.

SUPPLIERS WHO BREACH OUR GUIDELINES

In cases where we become aware of unwanted incidents or conduct, the Bank will investigate further and take relevant actions to pressure the supplier in question to move in the right direction. Suppliers found to be in breach of our guidelines shall be reviewed at least quarterly to check whether the corrective measures implemented are working as intended. Suppliers found to be in breach shall present a corrective action plan to prevent future non-conformities.

If the corrective actions do not have the desired effect, we will consider ending our cooperation with the supplier/business partner in question based on an overall assessment, in which the potential for influencing them in a positive direction in the future may speak in favour of maintaining our contract with them.

In 2023 we continued our efforts to survey all of our suppliers. We sent out questionnaires to five suppliers who received a medium or high risk score in the survey. We have not uncovered any issues that have led us to end to our business relationships with them. The supplier survey is a continuous process that will continue in 2024. You can find a more detailed explanation of our due diligence assessments in the sustainability appendix. You can also find our corporate social responsibility and sustainability policy for procurement in our sustainability library at ssf.no/berekraft.

Responsible marketing

The marketing activities of the Bank shall also ensure that the products and services offered by the Bank are communicated and marketed in a way that is consistent with the UN Sustainable Development Goals, gives it a competitive edge and reduces ESG risk. This includes being responsible

in how we communicate with our various customer groups through our advisers and various digital channels on a day-to-day basis. The Bank has drawn up a separate marketing policy that also focuses on sustainability. It is available in our sustainability library at ssf.no/berekraft.

Business development

CHANGING TIMES FOR OUR DEVELOPMENT TEAM

Over the past few years, we have developed one of the industry's leading online banking solutions. We focus on providing a good customer experience and a lot of the functionality is based on customer feedback. Our digital offering is self-service for customers, but we are still available to them through other channels if they need extra support. We are also leading the way with respect to security, fraud prevention and fraud management in our digital platforms, to ensure that overall we provide good, safe digital services to our customers.

Our development team also creates internal services and tools to facilitate customer support, analysis, decision support and more efficient, automated work processes.

In spite of having the smallest team in the industry, we are highly effective. Using minimal resources, our development team has delivered excellent internal and external services. The recipe for success has been a small, highly-qualified senior team that we have managed to build up and retain over time. That has resulted in cost-effective solutions of the very highest quality.

Now we have reached a fork in the road, as we enter the SpareBank 1 alliance. This will have a big impact on our development team and the solutions we have built for both our customers and employees. In the alliance, the unique digital services we offer will become more standardised. But it will go fine. Going forward, we will use our capacity for change to adapt and to work on new products and services. That will ensure a successful transition to becoming SpareBank 1 Sogn og Fjordane for both customers and employees.



Our proficient team

Most important steering

Annual report, strategy, remuneration policy, employee handbook.

Related to these UN Sustainable Development Goals (SDGs)



Who is responsible at the Bank?

HR Director Eirik Rostad
Ness of the HR department

WORKING CONDITIONS

We want to be an attractive place to work, where both our employees and our business culture represent important competitive advantages. We are working proactively to further improve our business culture, by cooperating closely with employee representatives, consulting on working conditions, taking measures to increase job satisfaction and providing training. Our employees are the most important resource we have to maintain and strengthen our market position. We must therefore continuously monitor competition in the labour market. When setting employees' terms of employment, we must also comply with the stipulations of relevant legislation, collective bargaining agreements and the Bank's remuneration policy. Compliance with the remuneration policy is reported to the Board and reviewed each year by the Bank's internal auditor. All recruitment decisions that do not fall under the company agreement's definition of senior management are handled by the Bank's recruitment committee, which also has employee representatives. In conjunction with the annual wage review, there are discussions with employee representatives regarding the level and focus of the local pay settlement.

Pursuant to various laws, the Bank has an obligation to carry out self-assessments of certain employee representatives and employees. In its circular 3/2023, the Financial Supervisory Authority has given a more detailed explanation of the rules and of how they should be put into practice. The Bank must ensure that it complies with the rules on self-assessments in accordance with the above-mentioned circular, and with any subsequent revised versions thereof.

A self-assessment shall be carried out in the event of any changes to the Board, the CEO and other managers and key personnel. The head of the HR department is responsible for ensuring compliance with the statutory requirements at any given time. This includes ensuring that the AGM's election committee performs a self-assessment of the candidates they propose, and that the necessary self-assessments are carried out in the event of changes to the organisational structure.

The regular corporate governance reporting to the Board includes reporting on key targets and measures relating to HR. Various steering documents have also been developed, including the ethical guidelines, remuneration policy, Board's statement on establishing the salaries and other benefits of senior managers and procedures for self-assessment. The ethical guidelines make it clear that we have zero tolerance for bullying and all forms of harassment. Our managers have a particular responsibility to ensure that they and their subordinates comply with the ethical guidelines, taking the necessary account of the balance of power between the involved parties, for example in terms of differences in age, status and position.

We take steps to ensure that employees are familiar with and adhere to our ethical guidelines and fraud prevention guidelines. This is followed up through training programmes for new employees and by raising the issue at staff meetings. No cases of internal fraud were reported in 2023.

ORGANISATIONAL DEVELOPMENT AND TRAINING

Sparebanken Sogn og Fjordane constantly adapts its organisational structure in response to changes in the banking industry, regulations and customer behaviour. We have thorough procedures in place for continuous work on organisational development and on making changes to adapt to new needs and requirements. Our strategy states that having a highly qualified and motivated organisation is one of our competitive advantages. Our organisation must have a business culture based on our ability to learn, develop, cooperate and communicate openly.

The Bank has taken on a variety of challenging tasks in recent years, and 2023 was no different in that respect. The Bank has taken the decision to invest in, and become a joint owner of, the SpareBank 1 alliance, and in 2023 work started on facilitating a successful transition, for both customers and employees, to SpareBank 1 Sogn og Fjordane.

We have put a lot of resources into internal courses and training activities. The main goal of all training activities is to ensure that the Bank's employees gain the skills needed to achieve the bank's commercial goals, meet industry requirements and safeguard the Bank's reputation. Professional development and career planning are important tools for recruiting and retaining the best employees and key personnel. Skills development goals are described in the bank's overall strategy and in a number of area-specific strategies drawn up by the Bank. The Bank performs skill surveys to identify skills gaps. This is also an important consideration in the HR department's annual risk assessments. Individual employees have a responsibility for their own professional and personal development. Managers at all levels are responsible for ensuring that employees receive the necessary training.

In 2023, the Bank introduced a minimum level of common practice with respect to employee development at the Bank. At the start of the year, each department draws up its objectives, in which the overall strategy is broken down into specific goals and actions plans for the department. In order to ensure that individual employees properly understand the strategy and to promote systematic skills development, the strategy is also set out in goals and areas of development for individual

employees, which are reviewed in conjunction with employee development reviews during the year. All employees have regular career development reviews. In 2023, all of our employees' role descriptions were updated.

The e-learning tool Motimate plays an important role in the Bank's training programme. In 2023, all of our staff took five hours of obligatory training in Motimate covering anti-money laundering, IT security, data protection, equality, diversity and inclusion, and the annual confirmation of the Bank's ethical guidelines and whistleblowing procedures. In addition, there is time spent on obtaining authorisations and annual refreshers relating to them. Motimate is also used during the onboarding process so that all new members of staff get the same basic training. In addition to training in Motimate, all employees get supplementary technical training in their specialist area, and we have established expert groups for various areas of expertise, which provide regular suggestions on the Bank's training activities. The Bank offers grants for taking courses and further education. The further education must reflect the Bank's needs and form a part of the individual employee's development plan. The Bank ensures and documents the knowledge of its staff through courses, surveys, training and testing.

As a member of the Finance Industry's Authorisation schemes (FinAut), the Bank has undertaken that its advisers shall have the relevant authorisations. These schemes are designed to ensure that advisers have the necessary attitudes, skills and knowledge in the fields of savings and investment, credit provision, non-life and life insurance, corporate non-life insurance and corporate life insurance. Advisers must take annual refresher courses, and in 2023 the key topics in these courses included sustainability, the new financial contracts act, financial planning, good practice and ethics. The financial industry's own rules regulate the practice of authorised financial advisers in ten separate areas. In conjunction with reviewing the new financial contracts act, the Bank has also established procedures for ensuring compliance with the Code of Good Practice.

SPECIALIST AREAS

NUMBER OF AUTHORISED ADVISERS AT 31.12.2023

Savings and investment	88
Credit provision	64
Life insurance	68
Non-life insurance	60
Corporate non-life insurance	4
Corporate life insurance	4

The Bank believes in age-friendly employment, which takes into account the different stages of life and personal situations of staff. This includes a seniors policy, which is based on the fundamental belief that older workers are a resource in possession of valuable expertise needed by the Bank. In order to encourage as many people as possible to continue working for as long as possible, at the age of 60 we have a conversation with staff which aims to make the future more predictable for both parties.

For us to succeed in adapting to the changing times, our managers must also develop their skills. In 2019-20, we implemented a big management development programme for middle managers and management talent. We saw good, tangible benefits from our investment in management training and are building on the programme with further activities. 2 members of staff attended an external management development programme for women. The management forum has been a regular meeting place for managers at the Bank, providing an opportunity for the exchange of ideas, skills development and information sharing. In 2024, the Bank will continue to focus on management development and change management in order to ensure a successful transition to becoming SpareBank 1 Sogn og Fjordane.

The Bank has introduced the option of hybrid working including some working from home, and written agreements have been signed with employees who make use of the arrangement. Our offices shall remain the main place of work, so a project has been initiated to look at how office design can help to ensure that offices are inspiring working environments that build trust, and make the office people's preferred place of work. If people work more from home, it could undermine the Bank's business culture, so the Bank has worked on digital and physical activities to strengthen our organisational culture. We have worked proactively and systematically to organise digital events that generate good cooperation, inspiration and good experiences for the Bank's employees. In 2023, we also organised a successful corporate event.

The Bank evaluates its work on organisational development and training through skill surveys, internal controls, compliance, internal auditing, recording incidents in the incident database, dealing with customer complaints, status reports from FinAut, benchmarking and Finance Norway's annual skills survey.

WORKING ENVIRONMENT

Sparebanken Sogn og Fjordane carries out annual surveys to find out how satisfied employees are with their work. Last year, we carried out two surveys: one major employee satisfaction survey and a shorter so-called pulse survey. The surveys measure employee satisfaction and engagement, and allow employees to provide feedback on their experience in terms of the flow of information, communication and support. The surveys show that we have a good working environment, in comparison to the industry and workplaces in general. Both employee satisfaction and engagement improved during 2023. In areas for improvement and development, action is taken, both at the Group level and in individual departments, to improve the working environment and ensure good future performance.

Since 2003, we have been signed up to the IA programme for inclusive working life. This means that we have undertaken to work on minimising sickness absence, and on making it possible for employees who develop partial incapacities to continue working. We have set up a dedicated IA committee, whose responsibilities include preparing an action plan for this area.

The Bank has a collective bargaining agreement with the Finance Sector Union of Norway at Sparebanken Sogn og Fjordane. There is good cooperation between the management and the employee representatives. A joint cooperation and working environment committee has been set up, where the Finance Sector Union and internal safety service are represented. The Bank's working environment was high up the agenda in 2023. Our working environment committee held four meetings in 2023, and dealt with twelve working environment cases. We provide regular basic working environment training for managers and safety representatives, most recently in spring 2023.

Average sickness absence was 4.21% in 2023, down from 4.63% in 2022. The Bank prioritises following up people on sick leave and tries to make adaptations to help them return to work as soon as possible.

There were no reported occupational lost time injuries in 2023.

RECRUITMENT AND EMPLOYEE TURNOVER

In 2023, we hired 36 women and 21 men through internal and external recruitment processes. Employee turnover rose to 6.83% from 3.76% in 2022. The increase was due to a tighter labour market, and it is particularly challenging to recruit and retain staff in IT and business development. 16 permanent employees changed job within the Group, moving either to a new location or a new role. Of the 28 people hired to permanent positions through external recruitments processes, 54% were women and 46% were men.

NUMBER OF NEW EMPLOYEES AND STAFF TURNOVER		2022	2023
Age distribution of new employees (permanent staff)			
Under-30s		7	8
Aged 30-50		25	18
Over-50s		1	2
New female employees		16	15
New male employees		17	13
Employees by region	We only have one region		
Total staff turnover		3,76 %	6,83 %
Turnover of women		2,63 %	2,88 %
Turnover of men		1,13 %	3,95 %
Turnover by region	We only have one region		

PAY, EQUALITY AND DIVERSITY

Our vision is to be a driving force for Sogn og Fjordane. It is important for us to have in-house expertise on dealing with the risks that we face. The Bank's pay policy shall stimulate and motivate current and future employees. Pay shall be competitive with comparable enterprises in the market and region. The qualifications and areas of responsibility of individual employees are also taken into account. In addition, our pay policy should foster personal development and a team spirit.

We are working proactively to ensure that employees receive equal pay for work of equal value. We have created assessment tools that make it easier to eliminate gender pay gaps at the Bank, and gender pay gap assessments are now a compulsory part of annual salary reviews. The Bank's pay policy was reviewed by the management and employee representatives in the autumn of 2022, which in 2023 resulted in the Bank moving the pay review from May to March/April in order to get an idea of salary expectations in the organisation before local salary pots are fixed. A new template has also been created for pay reviews, and joint practice for pay and employee development reviews has been implemented.

The tables below show the average salary for a full-time position, by grade and gender. Grade 1 - the CEO is not included when calculating overall average pay at the Bank.

AVERAGE PAY			
Organisational level	2022	2023	YoY increase
Grade 1 - CEO	3 285 072	3 351 792	2,03 %
Grade 2 - Senior management team	1 345 726	1 451 410	7,85 %
Grade 3 - Other line managers	869 219	955 105	9,88 %
Grade 4 - Technical managers	777 738	792 426	1,89 %
Grade 5 - Advisers/consultants	646 210	672 570	4,08 %
Temporary staff	445 557	460 961	3,46 %
Total for the bank	690 476	718 879	4,11 %

AVERAGE PAY

Gender	2022	2023	YoY increase
Women	648 844	681 670	5,06 %
Men	762 788	786 306	3,08 %
Total for the bank	690 476	718 879	4,11 %

The table below shows women's pay as a % of men's pay, in full-time positions, broken down by grade.

WAGE GAP

Organisational level	2022	2023
Grade 2 – Senior management team	86 %	82 %
Grade 3 – Other line managers	87 %	98 %
Grade 4 – Technical managers	85 %	84 %
Grade 5 – Advisers/consultants	91 %	94 %
Temporary staff	115 %	108 %
Total for the bank	87 %	89 %

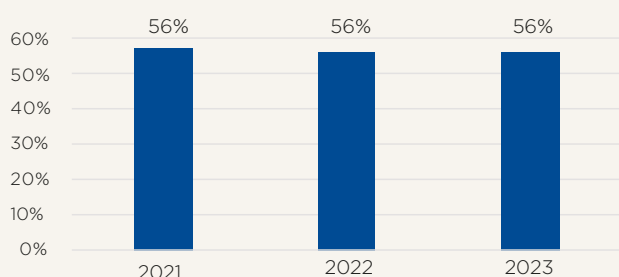
The average pay of both women and men rose from 2022 to 2023, and the increase was higher for women. Women's pay as a % of men's pay increased to 89% in 2023 from 87% in 2022. In the past, a large part of the wage gap between women and men was due to there being more men in management positions, and the Bank is working systematically to increase the proportion of managers who are women. Other differences are related to historical issues. The Bank has not been informed of, or uncovered, any cases of wage discrimination. The Bank will continue to work proactively to reduce the wage gap.

In 2023, the proportion of female managers fell. The fact that women's pay as a % of men's pay rose to 89% is due to the Bank working systematically on equal pay during both recruitment processes and pay reviews, and the measures it has taken to iron out wage gaps that cannot be explained by factors other than gender.

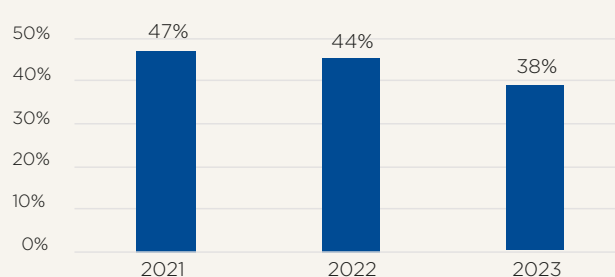
When calculating the pay gap and average salary, we have included basic pay at 31 December and various supplements such as overtime pay and benefits in kind received during the financial year. Benefits in kind includes equity certificates, fixed car allowance, company car, staff insurance policies, taxable benefits from preferential interest rates and taxable gifts. The grades are based on existing categories of positions at the Bank, and on an assessment of which positions are classified in the various grades. We have also considered the question of equal work of equal value when defining the grades.

We aim to have a system that allows women to take up management positions. Four of our eight Board members are women. The senior management team comprises three women and six men, including the CEO. 56 percent of employees are women and 44 percent are men, unchanged from in 2022. The proportion of line management positions held by women fell from 44% in 2022 to 38% in 2023.

Women as a proportion of total employees

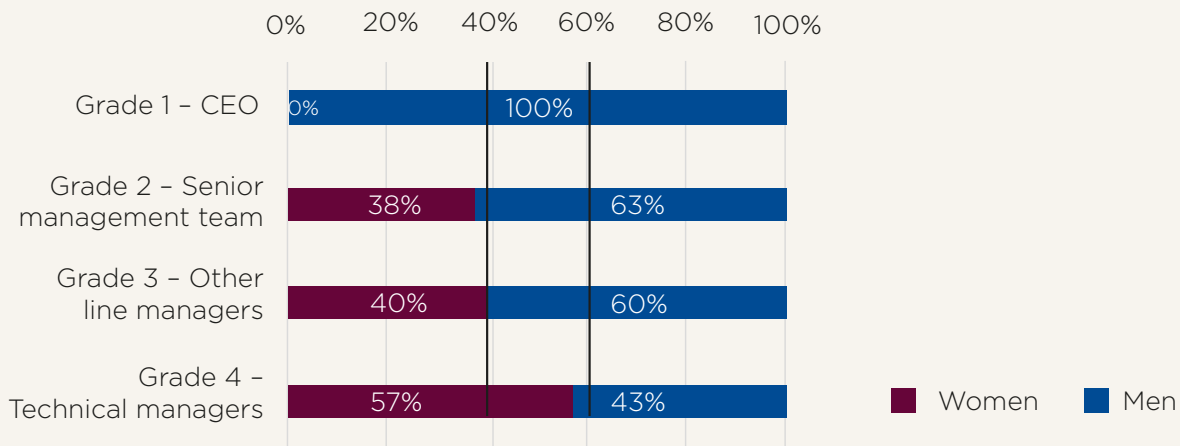


Women in management positions



The long-term goal is to have a reasonably even gender balance at all levels and in all business areas, and the Bank's goal is for the proportion of management positions held by women to be between 40 and 60 percent. The Bank achieved this goal in both 2021 and 2022, but in 2023 the proportion of female line managers fell to 38% from 44% in 2022. This is due to women in management positions leaving because they have found another job or retired, with some of them being replaced by men. This is an area that requires continuous focus, and going forwards the Bank will look at measures to increase the proportion of female managers. The proportion of female technical managers has risen to 57% from 46% in 2022.

Gender balance in management positions in %



GENDER BALANCE

Proportion of women	2022	2023
Grade 1 - CEO	0 %	0 %
Grade 2 - Senior management team	44 %	38 %
Grade 3 - Other line managers	46 %	40 %
Grade 4 - Technical managers	46 %	57 %
Grade 5 - Advisers/consultants	58 %	58 %
Temporary staff	64 %	60 %
Total for the bank	56 %	56 %

Since 1 November 2023, Reiel Haugland has stepped aside from his position as Technology Director in order to act as the project manager for joining the SpareBank 1 alliance, and in the meantime Jill Aasen Hole is the acting Technology Director. Both of them are included in Grade 2 – Senior Management Team.

The equal opportunity company SHE has joined up with the auditors EY to launch a national index to measure the performance of Norwegian companies in the area of equal opportunity. Sparebanken Sogn og Fjordane scored 86 out of a possible 100 in 2023. The Bank is signed up to the Women in Finance Charter, which commits it to setting internal goals for gender balance in senior roles, and to having one senior executive with dedicated responsibility for gender diversity and equality at the Bank. Figures show that financial institutions who have signed up to the organisation on average have a better gender balance than other companies in the industry.

22 of our 292 employees work part time. 15 of them are women and 7 are men. The part-time staff generally work 80 or 90 percent of a full-time job, with the exception of students working part time at the Student Centre or Customer Service Centre. We are not aware of there being any involuntary part-time workers at the Bank.

PART-TIME STAFF

Gender	2022		2023	
	Percentage	Number	Percentage	Number
Women	75 %	15	68 %	15
Men	25 %	5	32 %	7
Total for the bank		20		22

In 2023, the Bank had 15 temporary members of staff. 9 of them were women and 6 were men.

TEMPORARY MEMBERS OF STAFF

Gender	2022		2023	
	Percentage	Number	Percentage	Number
Women	64 %	9	60 %	9
Men	36 %	5	40 %	6
Total for the bank		14		15

All employees have a right to parental leave. 22 employees took parental leave in 2023. 15 of them are women and 7 are men. 7 of the women (47%) have returned to work after their period of leave and continue to work for us, while 6 are still on leave. 6 of the men (86%) have returned to work after their period of leave and continue to work for us. The women took a combined 1,647 days of leave, while the men took 548 days. This means that men who work at the Bank make use of their minimum father's quota.

PARENTAL LEAVE

Gender	2022			2023		
	Number	Number of working days	Weeks	Number	Number of working days	Weeks
Women	15	1 471	294	15	1 647	329
Men	1	130	26	7	548	110
Total for the bank	16	1 601	320	22	2 195	439

PROMOTING EQUAL OPPORTUNITY, DIVERSITY AND INCLUSION, AND COMBATING DISCRIMINATION

We aim to be one of the best places to work in Sogn og Fjordane. This includes providing equal opportunity and promoting diversity. The Bank's goal is to recruit staff who reflect the society that we belong to. Our strategy, recruitment policy and remuneration policy include specific goals relating to equal treatment. There is also research documenting that in many contexts diversity has a positive impact on the working environment, development and value creation. Both the day-to-day running of our business and our recruitment activities aim to maintain and increase diversity. We believe that employing different kinds of people is important to the future development of the bank.

DIVERSITY

Age distribution of employees	2022	2023
Under-30s	13 %	12 %
30-50-year-olds	53 %	53 %
Over-50s	34 %	35 %
Age distribution of governing body (Board)	2022	2023
Under-30s	0 %	0 %
30-50-year-olds	63 %	63 %
Over-50s	38 %	38 %

The Bank is dependent on the trust of its customers, the authorities, the equity certificate owners, its lenders and wider society. It is therefore important for our organisation to maintain high ethical standards. The Bank's decisions shall be based on ethical principles that are in line with society's view of what is right and wrong and reflect the Bank's role in society. It is important to work consciously and proactively to prevent discrimination, in order to reinforce our reputation as an attractive employer, and to meet our strategic goals and obligations with respect to sustainability. The Bank is one of the key businesses in Sogn og Fjordane, and we believe that expressing our views clearly helps to influence the society that we are a part of.

The Bank wishes to create a positive working environment that enables personal development and provides challenges. That requires mutual trust, cooperation, inclusiveness, engagement and transparency. All employees have a responsibility for creating a good working environment, and we expect all employees to be polite and to treat each other with consideration and respect. By doing so, they help to facilitate good cooperation.

There shall be no discrimination. We shall provide equal opportunities and equal rights to everyone, and prevent any discrimination on the grounds of ethnicity, sex, age, religion or beliefs, sexual orientation, disability, pregnancy or family plans. No employees shall engage in the harassment, including sexual harassment, of other people. Harassment refers to actions, omissions or words that are intended or perceived as offensive, frightening, hostile, demeaning or humiliating. Sexual harassment refers to any form of unwanted sexual attention that is intended or perceived as offensive, frightening, hostile, demeaning, humiliating or annoying. This prohibition includes harassment based on an existing, possible, past or future relationship.

No cases of discrimination or harassment were reported in 2023.

PRINCIPLES, PROCEDURES AND STANDARDS RELATING TO EQUALITY AND DISCRIMINATION

Our most important steering documents are our strategy, remuneration policy, pay policy, policy for equality, diversity and inclusion, ethical guidelines and whistleblowing procedures. These processes are managed and monitored by the HR department. In addition, all employees must confirm annually that they have read and familiarised themselves with the Bank's ethical guidelines.

Employees have both a right and duty to report censurable conditions. The Bank has procedures in place for how this should be done, and it makes sure that the necessary measures are implemented to end the relevant conditions, including eliminating risks, stopping harassment or discrimination, and preventing work- and workplace-related illness. Rules shall also be in place to protect employees who report censurable conditions, to promote transparency and to encourage a good speak-up culture at the Bank.

The Bank is working proactively, systematically and methodically to promote equality and prevent discrimination using a methodology that involves four steps: investigating the risk of discrimination and barriers to equality, analysing their causes, implementing corrective measures and evaluating the results of actions taken. This work covers all potential reasons for discrimination and the methodology is applied to these five areas: recruitment, pay and conditions, promotion and development opportunities, workplace adaptation, and flexibility with respect to balancing work and family life. The Bank is also striving to prevent harassment, sexual harassment and gender-based violence.

- Our policy on equal opportunity is incorporated into the Bank's strategy, tools and guidelines.
- The Board of Directors, senior management team, elected representatives and employees all play a role in our work on equal opportunity.
- Equal opportunity measures are discussed with members of the Bank's work council, which meets at least four times a year.
- A recruitment committee has been established, in accordance with the basic agreement between Finance Norway and the Finance Sector Union of Norway. The committee shall ensure that the principles of equal opportunity and non-discrimination are respected when setting pay and conditions.
- Shaping attitudes through internal and external communication. The Bank is one of the largest, most important businesses in Sogn og Fjordane, and we strive to raise awareness of work on equal opportunity and diversity.
- We welcome employees with disabilities and with special requirements

ENSURING EQUAL OPPORTUNITY AND NON-DISCRIMINATION IN PRACTICE

Working with the employee representatives, the employer has used the Norwegian Directorate for Children, Youth and Family Affairs' risk assessment tool to map risks in all areas, analysed their causes and then drawn up measures for implementation in 2023.

- Policy for equality, diversity and inclusion completed.
- All employees took an e-learning course on equality, diversity and inclusion, which included a course on unconscious bias and inclusive recruitment.
- Equal opportunity and diversity is a priority during recruitment. We have zero tolerance for harassment and discrimination, and aim for equal treatment and opportunity in recruitment and staff development processes.
- Equal opportunity is an important consideration in pay negotiation and local wage bargaining. Wage differentials are assessed, and each year we set aside an amount for equal pay, which is used to reduce the wage gaps that have no other explanation than gender.
- Women on maternity leave have a pay review in the same way as other employees.
- The pay policy is a tool to avoid unjustified and arbitrary pay gaps and pay settlements.
- The Bank has implemented new templates and a new practice for its pay and employee development reviews, with personal development being an important topic.
- 2 members of staff attended a management development programme for women.
- The Bank helps staff to achieve a good work-life balance. We permit flexible working hours and working from home where the circumstances allow it. Overall, the Bank wants to minimise overtime.
- We have clear guidelines to prevent harassment, sexual harassment and gender-based violence, including a whistleblowing system.
- All employees shall read and commit to the Bank's ethical guidelines each year.
- The topics of equal opportunity and non-discrimination are also covered by our HR policy.
- The Bank performs annual employee satisfaction surveys where we ask if employees have experienced harassment or bullying at their workplace.

ACTIONS PLANNED FOR THE COMING YEAR

- The Bank is working hard to achieve a reasonably even gender balance at all levels and in all business areas, and that will remain an area of focus.
- Increase the pool of talent of women at all levels, by focusing on management talents and women managers at all levels of the organisation.
- Review recruitment processes and procedures, especially for management positions.
- When recruiting managers, we will aim to invite both women and men for interviews.
- Give courses on diversity management to managers at the Bank.
- Continue analysing discrimination risks and barriers to equal opportunity. This includes reviewing recruitment procedures and practices, as well as the physical design of offices.

The Bank evaluates its work on equality, diversity and inclusion by reviewing the gender balance and gender pay equality for various pay grades each year and reporting the results in its annual report. The bank also reports its gender balance and gender pay equality to the national SHE Index and to the Women in Finance Charter. In addition, we encourage staff to rate the Bank's work on diversity and equality through the portal "Equality Check". Diversity and gender pay equality is regularly discussed with the employee representatives in the Works Council and with the Board of Directors. The Bank evaluates its pay policy annually, partly in order to avoid unjustified and arbitrary pay gaps and pay settlements.

The Bank evaluates its work on non-discrimination by having a separate section on ethics, discrimination and equality in its annual report. The HR department is responsible for ensuring compliance with the prohibition against discrimination within the organisation. The HR department ensures that all employees confirm that they are familiar with the ethical guidelines. Any whistleblower cases are normally described in the risk report that is presented to the Board of Directors each year.

News from the local community in 2023

Sparebanken Sogn og Fjordane is becoming SpareBank 1 Sogn og Fjordane

In 2024, Sparebanken Sogn og Fjordane will become SpareBank 1 Sogn og Fjordane. That became clear in April, when the Bank announced that it was buying a stake in the SpareBank 1 alliance.

“Being a potent source of financing for businesses in Sogn og Fjordane is our most important social mission. This investment will make us a stronger partner for the businesses and local communities in our region. We will get a new logo, but our strengths are still our local presence, local expertise and local decision-making. That will continue to be the case in the future”, said CEO Trond Teigene when the decision was announced.

Another thing that will remain unchanged is the Bank’s status as an independent, Nynorsk-language bank owned by Sparebankstiftinga Sogn og Fjordane, Sparebankstiftinga Fjaler and the Bank’s employees. And the Bank will continue to make gifts to local communities from its profit, as it does today.

“Buying into the SpareBank 1 alliance is a strategic investment to reinforce the foundations of the bank”, explained Teigene with reference to the NOK 630 million investment.



Linda Vøllestad Westbye (Retail Banking Director), Trond Teigene (CEO) and Roy Stian Farsund (Corporate Banking Director).

NOK 80 million returned to the community

Never before has so much of the Bank's profit been given to good causes in Sogn og Fjordane.



There was great celebration when Cecilie Grydeland, the CEO of Teater Vestland, accepted a gift of three million kroner. It was presented by Yngve Thorsen, Sparebankstiftinga Sogn og Fjordane's head of gifts and community contact, and Johanne Viken Sandnes, Sparebanken Sogn og Fjordane's Director of Communications.

In 2023, a total of NOK 80.3 million of Sparebanken Sogn og Fjordane's profit was distributed. That was over NOK 20 million more than the previous year. This money was provided through the foundations that own the Bank, Sparebankstiftinga Sogn og Fjordane and Sparebankstiftinga Fjaler, as well as through direct gifts from the Bank.

For us at the Bank, it is important for our profit to benefit the voluntary sector and businesses in Sogn og Fjordane. In 2023 alone, there were hundreds of examples of this, one of them being the Nynorsk Scenespråksenter, which will assist actors to master Nynorsk, one of the two official standards of the Norwegian language. With a gift of three million kroner to Teater Vestland, this centre will be created at Nynorskhuset in Førde.

"It's unbelievable. I'm overwhelmed. It is amazing what the powers in our region make possible for the community. If you ask me, Sparebanken Sogn og Fjordane's foundation should be nicknamed 'turning dreams into reality'", enthused the CEO of Teater Vestland, Cecilie Grydeland Lundsholt, when she accepted the gift last autumn.

"It is so important to invest in performing arts in Nynorsk, so that audiences can experience culture in their own language. In order for Nynorsk to develop, it must be used, and Teater Vestland has a key role to play in that", said Johanne Viken Sandnes, Director of Communications at Sparebanken Sogn og Fjordane (a Nynorsk-language bank) when the gift was awarded.

For a full list of gifts made in 2023, go to www.sparebankstiftinga.no and www.ifjaler.no.



The biggest gift of 2023 went to the robotics centre in Førde. Here Erik Kyrkjebø (right), a researcher who heads the new research centre, accepts the gift from Roy Stian Farsund, the Corporate Banking Director at Sparebanken Sogn og Fjordane.

Close partners of the business community

In 2023, we gained 533 new business customers and granted over NOK 4 billion in new loans and guarantees to business customers in Sogn og Fjordane. Lending to the corporate market rose by 2.3% in 2023.

We are the leading bank to local businesses, with 6 out of 10 limited companies as our customers. With over 40 people at the Bank focusing on business customers, we have built up the resources to provide customers with the advice and products they need.

The Bank puts an emphasis on understanding individual industries, and it has experienced industry experts in all of the key industries for our customers. This is important both for uncovering risks and for enabling us to be a good sparring partner who can work with our customers to find good solutions.

It was especially important in 2023, against a backdrop of growing economic uncertainty, but we believe that overall the business community in Sogn og Fjordane is coping well, in spite of rapidly rising interest rates, inflation and global unrest.

Roy Stian Farsund, our Corporate Banking Director, had the honour of presenting Sparebankstiftinga Sogn og Fjordane's biggest gift in 2023. The NOK 7.5 million award went to the new research and innovation centre HVL Robotics Lab. This robotics centre is based at the Western Norway University of Applied Science's campus in Førde.

"It is incredibly inspiring to see how HVL is working so closely with the business community. A varied range of study programmes is important to our local community, and businesses and educational institutions should, shall and must generate synergies for one another. We wish them the best of luck with their project and would like to thank the people at HVL who have brought this about. They are making an important contribution to improving the range of study programmes in the region by thinking new and big. We need that", said Farsund when he presented the big cheque.

This gift was by no means the only one in 2023 that benefited local businesses. Amongst other things, Studiesenter Kysten received NOK 2.5 million and Hub For Ocean got NOK 1.2 million, while the wild salmon centre in Lærdal and Årdal science park received one million kroner each.

Half of all people in Sogn og Fjordane bank with us

Last autumn, the Bank reached a milestone in the retail banking market: its market share in Sogn og Fjordane edged past 50 percent.

That means half of all mortgage customers in Sogn og Fjordane have their loan with us at Sparebanken Sogn og Fjordane.

“We are really proud of this! A big thank you to our customers for putting their trust in us. We will continue to work hard to show that we deserve their trust, and we would be delighted to have even more customers”, says Linda Vøllestad Westbye, our Retail Banking Director.



NOK 450,000 in grants for talented young people

Nine talented young people each received a NOK 50,000 Furore grant in 2023. These grants are awarded by Sparebankstiftinga Sogn og Fjordane, and the money comes from Sparebanken Sogn og Fjordane's profit. In 2023 the nine worthy winners were:

- Amanda Kvammen, singer from Sunnfjord
- Erik Hovden Flataker, football player from Kinn
- Helena Bjarkadottir, singer from Bremanger
- Erlend Moen Taule, brain cancer researcher from Sunnfjord
- August da Silva Sveen, athlete from Årdal
- Ylinn Tennebø, football player from Kinn
- Mads Søreide, fashion designer from Gloppen
- Kabiito Amundsen, guitarist from Stad
- Øystein Løken Bergum, volleyball player from Sunnfjord



Ylinn Tennebø was one of nine talented young people who received a Furore grant in 2023. Here she gets a surprise visit from customer adviser Sissel Wik.

50 sponsorship agreements

Who we sponsored in 2023

GENERAL SPONSOR:

Florø football club
Førde sports club's football team
Førde volleyball club
Malakoff Rock Festival

SPONSOR:

Askvoll og Holmedal sports club
Balestrand sports club
Breimsbygda sports club
Bremanger sports club
Dale sports club's football and handball group
Eid sports club's handball team
Eikefjord sports club
Farnes shooting club
Fjora football club
Flatraket sports club
Florø sailing club
Florø sports club's handball group
Florø gymnastics and sports club
Florø E-sport
Førde sports club's cross-country skiing group
Førde sports club's gymnastics group
Førde students' sports club
The Førde Festival

Gaular sports club
Gloppen athletics club
Gloppen handball club
Hornindal sports club's football team
Syril sports club
Høyang sports club
Jotun sports club
Jølster sports club
Kaupanger sports club
Leikanger shooting club
Markane sports club
Masfjord football club
Sandane gymnastics and sports club's football group
Skavøpoll sports club's gymnastics group
Sunnfjord golf club
Svelgen gymnastics and sports club
Football Association of Norway, Sogn og Fjordane
Sogn og Fjordane skiing association
Stryn gymnastics and sports club
Tambarskjelvar sports club
Ungt entreprenørskap Sogn og Fjordane
Våt Moro watersports festival
Øvre Årdal concert band



The Bank sponsors a wide range of activities. Førde volleyball club is one of our good partners; here the players are pictured with bank manager Lars Solnørdal, the club's Chair, Thomas Østerbø, and the Bank's Marketing Director, Gunn Aase Moldestad.

Board of Directors

**LISE MARI HAUGEN****Chair**

Lise Mari Haugen (1979) lives in Førde and is the Deputy Chief Executive of Sunnfjord Municipality. She has been Deputy Chief Executive of Førde since 2010. Haugen was previously Chief Executive of both Askvoll and Hornindal municipalities. From 2008 to 2009 she worked as a Senior Associate at PWC. Haugen has a BA in Finance and Business Administration and an MA in Public Sector Auditing from the Norwegian School of Economics. Since 2010 Haugen has sat on the board of Sparebankstiftinga Sogn og Fjordane, and she was its Chair from 2015 to 2023. Haugen has sat on the Bank's Board since 2016, and has been its Chair since March 2023.

Attended 17 out of 17 Board meetings in 2023.

**MAGNY ØVREBØ****Deputy Chair**

Magny Øvrebø (1970) lives in Os and is the CEO of Holberg Fondene. She has over 20 years' experience from the world of finance at Skandia, Tryg and Nordea. Øvrebø has sat on the boards of a number of companies, particularly in the property and private equity sectors. She holds an MA in Economics from the Norwegian School of Economics and is authorised as a financial analyst and portfolio manager by the Norwegian Society of Financial Analysts. Øvrebø has also taken an MBA specialising in finance at the Norwegian School of Economics. Øvrebø has sat on the Board since March 2019.

Attended 15 out of 17 Board meetings in 2023.

**GEIR OPSETH****Board member**

Geir Opseth (1968) lives in Førde and works as an investor and business development manager at his own companies and start-ups. He also has a part-time job as a business development manager at Kunnskapsparken Vestland AS. He has previously worked as a manager at Dale Skofabrikk AS, Gudbrandsdalen Betongindustri AS, Hellenes AS and Sunnfjord Næringsutvikling AS. Opseth sits on the boards of several companies, mainly in the fields of industry and business development. Opseth obtained a degree in Finance, Business Management and IT from Hedmark University College after studying there from 1989 to 1992. He has been a full Board member since June 2019, and a deputy member since 2013.

Attended 17 out of 17 Board meetings in 2023.

**JOHNNY HAUGSBAKK****Board member**

Johnny Haugsbakk (1969) lives in Flekke, and he is currently the CEO of the technology company Metzsum, which he co-founded in 2020. Haugsbakk has over 25 years' experience from various positions in the electricity and energy sector, with his core expertise lying in management, sales and commercialisation. In 1999, Haugsbakk joined the technology company Elis AS (subsequently Enoro AS). For 18 years he helped to build up this company into a group with over 300 employees in five countries. Haugsbakk has extensive boardroom experience from various companies in the local area and across Norway. Haugsbakk has sat on the Board since March 2019.

Attended 15 out of 17 Board meetings in 2023.

**OLE MARTIN EIDE****Board member**

Ole Martin Eide (1981) lives in Skei and is the technical manager for credit at Sparebanken Sogn og Fjordane. Eide has worked at the Bank since 2006, as a customer service agent, customer adviser and controller. He has a BA in Finance and Business Administration from Oslo University College. Eide was a member of the Bank's AGM from 2017-2022 and has been a Board member since March 2022.

Attended 17 out of 17 Board meetings in 2023.

Board of Directors

**MONICA RYDLAND****Board member**

Monica Rydland (1974) lives in Bergen and works as a programme director at NHH Executive. She is also a researcher, consultant, lecturer and entrepreneur who focuses particularly on management of innovation and change. She has over 11 years' management experience, from companies including TrygVesta and Sparebanken Vest. She has also sat on the boards of a number of organisations, in finance, culture and the IT industry. She has a PhD in strategic change from the Norwegian School of Economics and the innovation research programme at the Norwegian University of Science and Technology, Department of Industrial Economics. Rydland has sat on the Board since March 2020. Attended 13 out of 17 Board meetings in 2023.

**CAMILLA CHRUICKSHANK HOLVIK****Board member**

Camilla Chruickshank Holvik (1983) lives in Måløy and works as the chief union representative at Sparebanken Sogn og Fjordane, where she has been employed since 2018. She has experience from the banking industry since 2015, as she previously worked as an adviser to retail customers at Sparebanken Vest. Before that she worked in accounting, payroll and reporting at an accounting firm from 2009-2015. Hovik has a BA in Finance and Business Administration from Western Norway University of Applied Sciences (previously Sogn og Fjordane University College). She has been a Board member since March 2023.

Attended 9 out of 17 Board meetings in 2023 (new member in 2023).

**KRISTIAN SKIBENES****Board member**

Kristian Skibenes (1978) lives in Måløy and works as the CFO of Fjord Shipping AS. His role there involves finance and development, and he also has a number of outside directorships. Skibenes has extensive professional experience, having previously worked as CFO at Lefdal Mine Datacenter, Managing Director at Fjord Shipping and supervisor at BDO AS Oslo. He obtained an Economics degree from the Norwegian Business School BI in 2004, and he has an MA in Accounting and Auditing. He has been a Board member since March 2023.

Attended 10 out of 17 Board meetings in 2023 (new member in 2023).

CEO

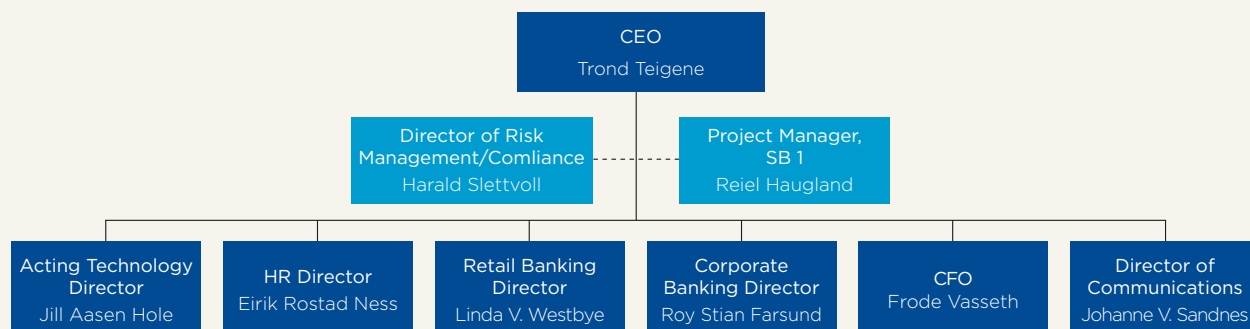
**TROND TEIGENE****CEO**

Trond Teigene (1968) is the CEO of Sparebanken Sogn og Fjordane. He has occupied that position since the spring of 2016. He had previously been the bank's Director of Strategy and Business Development. Teigene has worked at Sparebanken Sogn og Fjordane since 2000. He sits on the board of Balder Betaling AS. Teigene has an MA in Strategic Management from the Norwegian Business School BI.

Attended 17 out of 17 Board meetings in 2023.

Organisational chart

at 31 December 2023



Senior Management Team



TROND TEIGENE

CEO

Trond Teigene (1968) is the CEO of Sparebanken Sogn og Fjordane. He has occupied that position since the spring of 2016. He had previously been the bank's Director of Strategy and Business Development. Teigene has worked at Sparebanken Sogn og Fjordane since 2000. He sits on the board of Balder Betaling AS. Teigene has an MA in Strategic Management from the Norwegian Business School BI.



FRODE VASSETH

CFO

Frode Vasseth (1977) has been CFO since 2013. Before that, he was Director of Business Support. Vasseth has worked at Sparebanken Sogn og Fjordane since 2002. Vasseth sits on the boards of Bustadkreditt Sogn og Fjordane AS, Eiendoms kreditt AS and Fjord Invest AS. He has a degree in Economics and an MBA from the Norwegian School of Economics.



LINDA VØLLESTAD WESTBYE

Retail Banking Director

Linda Vøllestad Westbye (1979) has been Retail Banking Director since May 2018. She was previously a department manager at the Norwegian Gambling Authority. Before that, she had worked at the Norwegian Road Victims Association and University of Bergen. Westbye sits on the boards of Eignedoms mekling Sogn og Fjordane AS, Bustadkreditt Sogn og Fjordane AS and Norsk Tipping AS. She holds an MA in social anthropology from the University of Bergen.



ROY STIAN FARSUND

Corporate Banking Director

Roy Stian Farsund (1975) has been Corporate Banking Director since January 2021. He previously had responsibility for the corporate banking market in Sunnfjord. Farsund joined Sparebanken Sogn og Fjordane in 2008, and before that he worked at Nordea. He has an MA in Strategic Management from the Norwegian Business School BI, and he sits on the board of SpareBank 1 Finans Midt-Norge AS.



JOHANNE VIKEN SANDNES

Director of Communications

Johanne Viken Sandnes (1983) has been head of Marketing and Communication since May 2018. She has been Director of Communications since July 2022. Sandnes joined Sparebanken Sogn og Fjordane in November 2017, before which she worked as a communications adviser at TV 2 and Knowit. Sandnes is on the board of Framtidsfylket. She holds a BA from Volda University College and started BI's Executive Master of Management programme in the autumn of 2022.



EIRIK ROSTAD NESS

HR Director

Eirik Rostad Ness (1969) has been HR Director since 2017. He was previously the chief union representative at the Bank, having worked here since 2009. Before that, he worked as the national secretary of the Norwegian Red Cross and as an advisor at the Ministry of Children and Families and Norwegian Gambling Authority. He sits on the board of Eignedomsmekling Sogn og Fjordane AS. He has an MA in Social Geography from the University of Oslo.



JILL AASEN HOLE

Acting Technology Director

Jill Aasen Hole (1993) has been Acting Technology Director since November 2023. Jill joined the Bank in 2019, and for her first four years she was a project manager and business developer. Before that, she worked as the administrative assistant to the CEO at Coast Seafood in Måløy. She has a master's degree in Industrial Economics and Technology Management from the Norwegian University of Science and Technology.



HARALD SLETTVOLL

Director of Risk Management and Compliance

Harald Slettvoll (1974) has been Director of Risk Management and Compliance since 2017. Over the period 2008-2016 he was also involved in risk management at the Bank, as well as being the CEO of our subsidiary Bustadkreditt Sogn og Fjordane AS for six of those years. Before joining the Bank, he worked as a lecturer at Sogn og Fjordane University College. Slettvoll holds an MA in Economics from the University of Bergen.



REIEL HAUGLAND

Project Manager SB 1

Reiel Haugland (1981) has been Technology Director since 2016, but last year he took on the role of Director for Strategic Projects. In this role, Haugland is responsible for the project to implement the Bank's transition to becoming part of the SpareBank 1 alliance. Once this has been completed, he will return to his job as Technology Director. He started out as a trainee in 2007, and since then his roles have included being technical manager for business development. Haugland sits on the board of Eignedomsmekling Sogn og Fjordane AS and IT-Forum Vest, and is a member of NCE Finance Innovation's Advisory Board. He has a BA from Volda University College and a master's in Technology and Innovation from the Norwegian School of Economics.

Corporate governance

Here Sparebanken Sogn og Fjordane (SSF) sets out its principles and practices for corporate governance, in accordance with the Norwegian Accounting Act and the Code of Practice of the Norwegian Corporate Governance Board – NUES. In general we adhere to the NUES Code of Practice, but where there are nonconformities we justify them and explain our approach.

Accounting Act, Section 3-3b, second paragraph

Below we set out how we comply with the Accounting Act, Section 3-3b, second paragraph

1. **Details of recommendations and rules relating to corporate governance that the entity is bound by or chooses to adhere to.**
Sparebanken Sogn og Fjordane adheres to Norwegian legislation, including the current Accounting Act. The Group also follows most of NUES Code of Practice, as described below. Also see our comment in Section 1 under the NUES Code of Practice below.
2. **Information about where the recommendations and rules described in 1 are publicly available.**
NUES' Code of Practice is available on nues.no. SSF's adherence to the Code is described here and will be included in the Group's annual report.
3. **Reasons for any nonconformities with the recommendations and rules described in 1.**
Nonconformities with the recommendations are set out point by point below.
4. **A description of the main elements of the entity's, and if consolidated financial statements are produced also the group's, internal control and risk management systems covering the financial reporting process.**
See Section 10 of the information about NUES below.
5. **Articles of association which in full or in part expand on, or deviate from, the Public Limited Liability Companies Act, Chapter 5.**
See Section 6 of the information about NUES below.
6. **Composition of the Board of Directors, Corporate Assembly, Supervisory Board and Audit Committee; any working groups reporting to these bodies as well as a description of the main elements of the instructions and guidelines for the work of the bodies and any working groups.**
See sections 6, 7 and 8 of the information about NUES below.
7. **Articles of association that govern the nomination and replacement of Board members.**
See Section 8 of the information about NUES below.
8. **Articles of association and authorisations that enable the Board of Directors to decide that the entity shall buy back or issue shares or equity certificates in the entity.**
See Section 3 of the information about NUES below.

Norwegian Code of Practice for Corporate Governance (NUES)

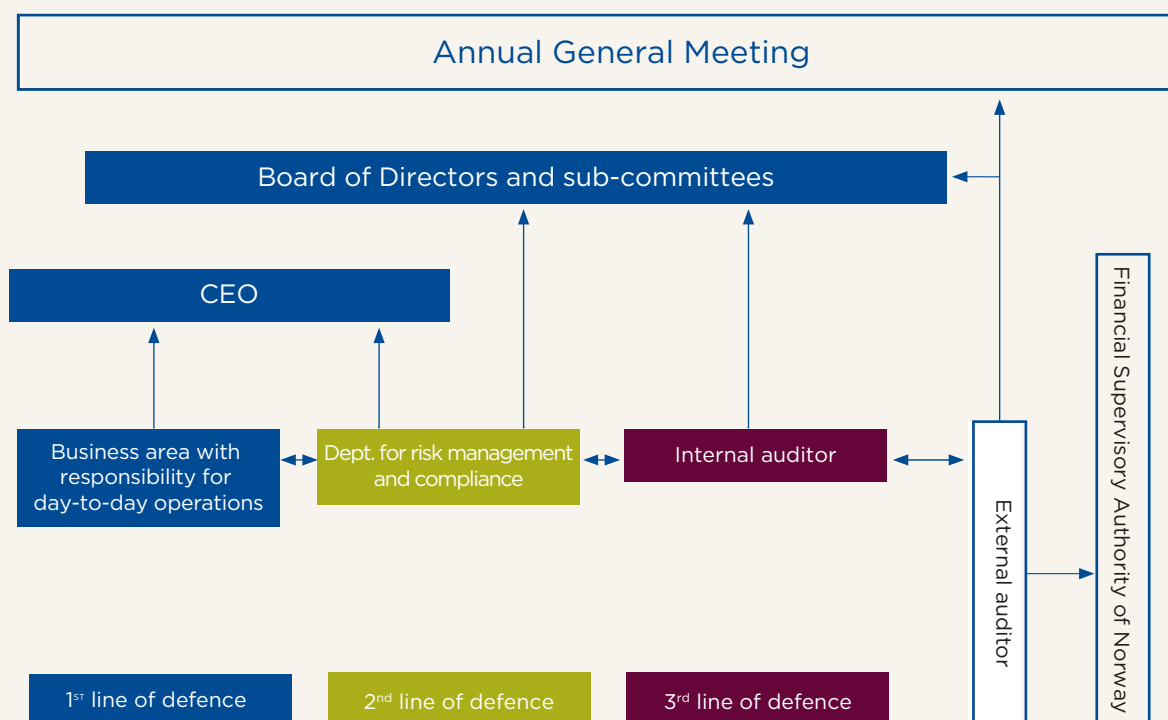
Below we have set out how Sparebanken Sogn og Fjordane (SSF) implements the 15 recommendations of the Norwegian Corporate Governance Board – NUES. This is based on the Code of Practice as of 14 October 2021.

Section 1: Corporate governance

Sparebanken Sogn og Fjordane adheres to the recommendations of NUES in so far as they apply to savings banks with equity certificates. Nonconformities with the Code of Practice are commented on point by point below.

SSF is a savings bank and a financial institution. As a bank, we are dependent on government licences and the trust of our customers, investors and other stakeholders. In order to maintain those things, the Bank must comply with extensive regulations, and it has developed a corporate governance structure designed to achieve this.

The Bank's corporate governance principles are incorporated into various steering documents for its operations. This includes the articles of association, vision and values, Board instructions, strategies, guidelines, risk frameworks, etc. The figure below shows the governing and supervisory bodies that play a key role in our corporate governance. A more detailed description of the individual bodies and their tasks is provided below.



In order to deliver in relation to its targets and values, the Bank must deal with customers and stakeholders in a proper and professional manner that meets high ethical standards. All of SSF's employees confirm, on an annual basis, that they are familiar with and adhere to the Bank's ethical guidelines.

Nonconformities with recommendations: No nonconformities.

Section 2: Business

The nature of Sparebanken Sogn og Fjordane's operations is described in the Bank's articles of association. The Bank shall promote saving by accepting deposits and managing the funds held by the Bank in a way that is secure. In addition, the Bank shall perform banking activities and provide banking services in accordance with the Financial Institutions Act, and offer investment services in accordance with the Securities Trading Act. The articles of association are available on the Bank's website.

Each year, the Board of Directors adopts financial goals for the business. The Bank's overall goals and strategies, which are set out in the Bank's annual report, inform its risk frameworks and budgets. Assessments of risk and capital requirements are integrated into the Bank's corporate governance processes and strategy.

SSF wishes to promote sustainable development and it has incorporated sustainability into its overall strategy, as well as establishing a separate strategy for sustainability. The Bank has added a sustainability portal to its website, which brings together its sustainability goals and strategies, as well as other relevant information.

Nonconformities with recommendations: None.

Section 3: Equity and dividends

The Board of Directors assesses the Bank's capital position over the course of the year, and particularly in conjunction with ICAAP, strategic planning and proposals for how profit shall be allocated. The capital position is assessed against the Bank's goals, strategy and risk profile, as well as expectations and statutory requirements established by the Financial Supervisory Authority of Norway and other supervisory bodies.

The Board of Directors considers that SSF is well capitalised in relation to existing and expected regulatory requirements, as well as to the Bank's risk profile and current goals and strategies.

Dividends

Sparebanken Sogn og Fjordane aims to achieve a profit that represent a good and stable return on the Bank's equity. The profit shall provide the owners with a competitive long-term return consisting of dividends and increases in the value of the Bank's equity.

Profit for the year is distributed between the equity share capital and primary capital in accordance with their proportionate shares of the Bank's equity.

Dividends and gifts reflect expected profitability, the external business environment and the need for core capital. It is the Bank's AGM that adopts the annual dividend based on the proposals of the Board of Directors.

SSF does not have any listed equity certificates and in so far as possible it must build up its equity from its own profit. The Board of Directors considers that the Bank is in a strong position to pay dividends over the coming years and aims to distribute a minimum of 50% of annual profit between dividends and gifts.

SSF has a high proportion of equity certificates (around 87%), and it is considering the possibility of distributing proportionately more of the profit attributable to its equity share capital than of the profit attributable to its primary capital, in order to strengthen the Bank's primary capital position.

Equity certificate buy-backs

The Board of Directors is authorised to buy up to 10% of the Bank's own equity certificates.

The equity certificates may be bought for a price per certificate of between NOK 50 and NOK 400. The equity certificates can be sold through a private placement or allocated to employees in the Group and to members and deputy members of the Board. The authorisation remains in force until the next Annual General Meeting.

Capital increase

The Board of Directors is authorised to issue hybrid debt, subordinated debt and non-preferred bonds, but it is not currently authorised to issue new equity certificates.

Nonconformities with recommendations: None.

Section 4: Equal treatment of shareholders (equity certificate holders)

Sparebanken Sogn og Fjordane has one class of equity certificates. All equity certificates have equal voting rights shares and all equity certificate holders shall be treated equally and have the same opportunity to influence decisions. The Bank adheres to the Financial Institutions Act's rules covering restrictions on ownership and voting rights in so far as they apply to a savings bank with equity certificates. The equity certificate holders elect 40% of the delegates to the AGM, which is the maximum proportion permitted by the Financial Institutions Act. In matters specifically relating to the equity share capital, the equity certificate holders have additional rights, with cases of the kind specified in Section 8-1 of the articles of association also requiring a two thirds majority amongst the delegates elected by the equity certificate holders.

In the event of an equity share capital increase, existing owners shall have pre-emptive rights unless there is a specific reason to deviate from this principle. Any such deviation from the pre-emptive rights shall be justified.

SSF has established a savings programme for employees and Board members using its own equity certificates. Since SSF's equity certificates are not listed on a stock exchange, the Bank buys the equity certificates directly from their current owners. An agreement on these purchases has been entered into with Sparebankstiftinga Sogn og Fjordane as the biggest owner. The agreement entails that all owners shall have the opportunity to sell certificates on the same terms as Sparebankstiftinga and that the other owners shall have a pre-emptive right to sell up to 5,000 equity certificates per year in order to ensure the liquidity of the equity certificates for owners of smaller

holdings. Under the savings programme, employees and members and deputy members of the Board can buy up to 1,000 equity certificates per year. For the first 50 equity certificates that an employee buys each year, SSF gives the employee one additional certificate for each equity certificate bought. For the next 100 equity certificates an employee buys, they receive one additional certificate for every four equity certificates bought. As such, employees can receive up to 75 equity certificates per year they participate in the programme. These “extra certificates” are distributed two years after the purchase is made, on the condition that the employee still owns the equity certificates they originally bought and is still employed at the Group, or has retired. All employees have also been allocated equity certificates worth NOK 13,000 plus tax (worth NOK 20,000 in total) at the start of the programme or when they were hired.

Nonconformities with recommendations: None.

Section 5: Shares and negotiability

The Bank's equity certificates are freely negotiable. For more information about voting shares and participation at the Annual General Meeting, see sections 4 and 6.

Nonconformities with recommendations: None.

Section 6: General Meeting

The General Meeting is the Bank's highest authority and it shall ensure that the company operates in accordance with its purpose and in compliance with legislation, the articles of association and the decisions adopted by the General Meeting. The General Meeting's roles and authority are set out in Section 3-9 of the articles of association.

The composition of, and election of members to, the General Meeting is different from limited companies and public limited companies. The Financial Institutions Act regulates the composition of the Bank's General Meeting, as well as its roles and tasks. The Bank's articles of association state that Sparebanken Sogn og Fjordane's General Meeting has 25 members. 10 members and 4 deputies are elected amongst the equity certificate holders. 9 members and 4 deputies are elected from the depositors, and 6 members and 2 deputies are elected amongst the employees.

In the event of a member being unable to attend the General Meeting, a deputy is called up. It is not possible to participate through a proxy.

The notice and agenda, as well as relevant documentation, are published on the Bank's website, and sent to the General Meeting's members and deputies, 21 days before ordinary general meetings. The Bank has not set a deadline for issuing notice in the articles of association and it does not have any listed securities. The statutory limit is therefore 14 days pursuant to the Public Limited Liability Companies Act and in the case of extraordinary General Meetings the Board may consider providing shorter notice than 21 days. The minutes of General Meetings are made available on the Bank's website.

Board members, the CEO and the auditor are also invited to attend meetings, but they are not entitled to vote. The Chair of the General Meeting leads its meetings.

Equity certificate holders' election meeting

The representatives of the equity certificate holders select their own election committee to organise the election of new delegates to the General Meeting. The election committee makes its recommendations at an annual meeting where all holders of equity certificates can stand and vote on behalf of their equity certificates. Each equity certificate has one vote.

Sparebankstiftinga Sogn og Fjordane currently owns around 94% of the Bank's equity certificates, which enables it to control the election of the equity certificate holders' delegates to the General Meeting. Sparebankstiftinga has published its ownership strategy (www.sparebankstiftinga.no), which includes a commitment to reduce its ownership interest and facilitate changes to the representation on the General Meeting in the event of the Bank being listed.

Nonconformities with recommendations: Sparebanken Sogn og Fjordane adheres to the laws and regulations governing the organisation of the General Meeting at savings banks, which results in a nonconformity with the recommendations, as the equity certificate holders cannot participate directly in the General Meeting, but must instead do so through the delegates elected by the equity certificate holders. Beyond this there are no nonconformities with the recommendations.

Section 7: Election committee

Sparebanken Sogn og Fjordane's articles of association state that the Bank shall have one election committee for the elections held by the depositors and the General Meeting, and one for the elections held by the equity certificate holders. In addition, the employees have their own election committee for electing their delegates to the General Meeting.

The General Meeting has adopted instructions for carrying out elections, which include expertise requirements for the Board, diversity requirements and a requirement for individual Board members and the Board as a whole to be able to perform their roles effectively.

Election committee for depositors and General Meeting

The General Meeting elects an election committee with 3 members and 3 deputies. The election committee shall comprise one representative each for: the members elected by the depositors; the members elected by the employees; and the members elected by the equity certificate holders.

The election committee shall prepare the elections of: members of the General Meeting elected by the depositors; the Chair of the General Meeting; the Chair, Deputy Chair and other members and deputies of the Board, with the exception of employee representatives; and members and deputies of the election committee.

The election committee's recommendations to the General Meeting shall be justified and they shall be circulated together with the notice for the General Meeting 21 days in advance of the meeting.

Election committee for equity certificate holders

Members of the General Meeting elected by the equity certificate holders have their own election committee. The election committee shall have 3 members and 3 deputies.

The election committee prepares the equity certificate holders' election of members and deputies to the General Meeting, as well as the election of members and deputies to the equity certificate holders' election committee. The election committee's recommendations shall be justified. The election is held at the equity certificate holders' own election meeting.

Nonconformities with recommendations: Members and deputies are elected to the election committees from the members of the General Meeting, in accordance with the articles of association. Members are independent of the Board of Directors and senior management team, but they are not independent with respect to elections to the General Meeting.

Section 8: Board of Directors: composition and independence

According to the articles of association, the Board of Directors of Sparebanken Sogn og Fjordane shall have 7 to 9 members, including 2 members elected by and from the employees.

The Board of Directors is elected by the General Meeting on the basis of the election committee's recommendations, with the exception of the employee representatives, who are elected by the employees. Members are elected for up to two years at a time, and they may serve for a maximum of 12 years in total (16 years if they combine two roles, e.g. 4 years as a deputy and 12 years as a Board member). The Chair and Deputy Chair of the Board of Directors are elected by the General Meeting in separate elections.

The General Meeting has adopted instructions for the election committee which specify requirements relating to the composition of the Board of Directors. Both women and men shall occupy at least 40% of the seats on the Board of Directors. The composition of the Board shall safeguard the interests of the equity certificate holders and depositors, help the Bank fulfil its social function, protect employees' interests and meet the Bank's need for expertise and diversity. Attention should be paid to ensuring that the board can function effectively as a collegiate body, and Board members should be independent of the senior management team and have sufficient time to fulfil their role.

The election committee shall prioritise ensuring both that individual Board members have the necessary expertise, experience and capacity, and that the Board collectively meets the necessary and statutory requirements for expertise. There is a requirement for at least one Board member to have qualifications and experience relating to the securities markets, one independent member with qualifications in accounting or auditing, who can sit on the audit committee, two independent members who are qualified to sit on the risk management committee and three members who can sit on the remuneration committee.

The CEO shall not sit on the Board of Directors. No other members of the Bank's senior management team sit on the Board either. With the exception of the employee representatives, the rest of

the Board is considered independent of the Bank's management. As the biggest equity certificate holder, Sparebankstiftinga Sogn og Fjordane has in its ownership strategy expressed a desire to have one representative on the Board (Ownership Strategy of Sparebankstiftinga Sogn og Fjordane).

The ages and backgrounds of the Board members are presented on our website and in the annual report, and their attendance at Board meetings is stated in the annual report. The Board of Directors may buy equity certificates through the Bank's savings programme for employees and Board members. The Board does not receive a discount on these purchases. Board member's ownership interests are disclosed in a note to the annual financial statements.

Nonconformities with recommendations: None.

Section 9: The work of the Board of Directors

The Board of Directors has issued instructions setting out the Board's administrative and supervisory responsibilities, the types of items that shall be dealt with by the Board, which committees the Board shall have, how items shall be notified, prepared, dealt with and recorded in the minutes, as well as the CEO's tasks and duties to the Board. The Board of Directors carries out an annual evaluation of its own work and expertise.

Conflicts of interest, agreements with related parties and work for the savings bank

The Board's instructions set out how the Board and Board members shall deal with any conflicts of interest. A Board member shall not take part in discussions or decisions that are of particular importance to themselves, or their related parties, whether that be on account of personal, financial or other particular interests. Board members shall themselves report anything that could constitute a conflict of interest. The Board of Directors decides whether there is a conflict of interest without the involvement of the Board member in question.

The Board of Directors shall approve any agreements between the Bank and a Board member, the CEO or an equity certificate holder. Agreements reached in conjunction with the Bank's day-to-day operations at prices and on terms that are normal for such operations do not need to be presented to the Board. In the case of non-trivial agreements that are not reached as part of the Bank's day-to-day operations, or that are not agreed on normal terms, the Board should obtain a valuation from an independent third party. If the Bank's outlays under the agreement exceed one twentieth of the Bank's equity, the agreement shall be presented to the General Meeting for its approval.

Board members, or companies to which they are affiliated, should not take on special tasks for the Bank or for companies in the Group. If they nevertheless do so, the whole Board of Directors shall be informed and the fees payable for the work shall be approved by the Board.

Board sub-committees

The Board has three sub-committees: the risk management committee; the audit committee; and the remuneration committee. All three committees are regulated by the articles of association and have their own instructions adopted by the Board of Directors setting out what type of matters the committee is responsible for preparing for the Board. All of the committees have three members chosen from the Board.

Audit committee

The audit committee shall carry out preparations for the Board of Directors' oversight of the financial reporting process, monitor the systems in place for internal control, risk management and internal auditing in relation to accounting and financial reporting, communicate with the auditor about the audit and inform the Board of the results of the statutory audit, assess and oversee the auditor's independence and prepare for the selection of the auditor. The audit committee shall also do the preparations for the Board's oversight of sustainability reporting.

Risk management committee

The risk management committee makes preparations for the Board's oversight of individual risks and overall risk at all times, assesses whether the Bank has sufficient equity and subordinated debt based on its risk profile and the scale of its operations, and assesses whether the Bank's governance and control measures are adequate for its risk profile and the scale of its operations.

Remuneration committee

The remuneration committee shall prepare all matters that relate to the Bank's pay policy, including the CEO's terms of employment. Also see Section 12 of this document.

Nonconformities with recommendations: None.

Section 10: Risk management and internal controls

The Bank's risk management procedures and internal controls shall help it to reach its strategic goals by correctly measuring, monitoring and pricing risk, operating efficiently and managing risk appropriately. The Bank's Pillar 3 report provides information about risk and capital management at Sparebanken Sogn og Fjordane. The document is available on the Bank's website.

The Bank aims to have a moderately low risk profile. The risk profile informs the strategy and risk frameworks within the Bank's various areas of risk.

The risk management and compliance department is independent of the business areas and is responsible for ensuring that risk management and internal control at the operational departments is consistent with legislation, rules and internal frameworks and guidelines. The risk management and compliance department reports on a quarterly basis to the Board, and each quarter the Board reviews the Bank's position with respect to the most important areas of risk and performs an annual review of internal control at the Bank.

Internal control of financial reporting

The CFO is responsible for the Bank's accounting and finance function and consequently responsible for ensuring that financial reporting adheres to relevant legislation, accounting standards and the Bank's accounting principles, as well as that the Bank has good, effective internal control procedures in place for this purpose.

Processes and internal control procedures have been established to quality assure financial reporting. These include rules on authorisations, the allocation of responsibilities, reconciliation, IT controls, etc. Internal control procedures covering all important line items in the financial statements have been described and classified, and the internal control system is regularly discussed with the Board's audit committee.

As part of the audit process, the external auditor also assesses the Bank's internal control over financial reporting, and includes any weaknesses and defects found in his annual summary report of the financial audit. This report is distributed to the Bank's management, audit committee and Board of Directors.

Internal auditing

The internal audit function is the Board of Directors' tool for overseeing that risk management processes are targeted, effective and work as intended. The internal auditor shall confirm that internal control procedures work and that risk management measures are adequate in relation to the Bank's risk profile.

The internal auditor draws up an annual plan that is discussed with the senior management team, reviewed by the risk management committee and adopted by the Board of Directors. The prioritisations in this annual plan are based on the internal auditor's own risk assessments. Separate audit reports are drawn up for each project and any findings and weakness are reviewed with the project manager. The risk management committee and Board receive an annual report summarising the internal auditor's work and most important findings.

Sparebanken Sogn og Fjordane has outsourced the internal audit function to an external firm of auditors and consultants. This company may also provide consulting services in addition to the internal audit function. This work is performed in accordance with the standards and guidelines that apply to internal auditors.

Nonconformities with recommendations: None.

Section 11: Remuneration of the Board of Directors

The General Meeting sets the remuneration of the Board of Directors following the recommendations of the election committee. The remuneration is not performance-related and the Board does not have any options or other incentive schemes. The Chair and Deputy Chair have separate remuneration agreements. Board members who sit on Board sub-committees receive fees for doing so. No Board members work for the Bank other than by sitting on the Board, with the exception of the employee representatives. The fees they are paid are detailed in the minutes of the General Meeting, which are published on the Bank's website, and the Board's overall remuneration is set out in a note to the financial statements.

Nonconformities with recommendations: None.

Section 12: Salary and other remuneration for executive personnel

The Bank has established a pay policy that has been reviewed by the remuneration committee, approved by the Board and presented to the General Meeting. A report on the salary and other remuneration for executive personnel is published together with the documents relating to the General Meeting and is made available on the Bank's website.

The Bank's pay policy shall reflect the Bank's overall goals, risk tolerance and long-term interests. Remuneration shall help to promote good management and control of the Bank's risks and help to avoid conflicts of interest.

The pay policy is simple and predictable. The Bank makes little use of variable remuneration and executive personnel have no special agreements involving performance-related pay, options or allocations of equity certificates, etc. The Bank has a joint savings programme based on equity certificates in which executive personnel may participate in the same way as other employees.

Nonconformities with recommendations: None.

Section 13: Information and communications

The Board of Directors has adopted guidelines for reporting financial and other information that adhere to the recommendations of Oslo Børs in so far as they apply to a bank that is not listed on a stock exchange. The guidelines shall ensure that investors and other stakeholders in so far as possible receive accurate, clear, relevant and simultaneous information.

The Bank has an investor relations page on its website where it publishes its financial calendar, annual and quarterly reports, investor presentations and company announcements. The Board's guidelines for communication with investors are also available on the Bank's website.

Nonconformities with recommendations: None.

Section 14: Take-overs

Sparebanken Sogn og Fjordane is a partially self-owning institution that cannot be taken over by another entity without the approval of the Bank's General Meeting. The ownership structure of a savings bank is regulated by statute and the Financial Supervisory Authority of Norway must give permission for any ownership interest exceeding 10%. Sparebankstiftinga Sogn og Fjordane currently owns around 93% of the equity certificates in Sparebanken Sogn og Fjordane and its articles of association state that it shall have a minimum ownership interest of 67%. In its ownership strategy, Sparebankstiftinga Sogn og Fjordane has announced that the foundation will reduce its ownership interest and propose changes to the articles of association in the event of the Bank's equity certificates being listed on a stock exchange.

Details of the biggest equity certificate holders can be found in the notes to quarterly and annual reports.

Nonconformities with recommendations: Statutory limits on ownership.

Section 15: Auditor

Each year, the external auditor presents a plan for the auditing activities of the audit committee. The external auditor attends audit committee meetings, Board meetings and the General Meeting that deals with the annual financial statements. At the meetings with the audit committee, the auditor goes through his supplementary report focusing on materiality, risk assessments, key aspects of the audit, suggestions and comments relating to internal control over financial reporting and communication with the senior management team including any areas of disagreement between them and the auditor. The auditor also holds meetings with the Board of Directors that are not attended by the senior management team.

The Board of Directors has established guidelines for using the auditor for services other than auditing and the audit committee supervises how this is implemented. The audit committee also oversees the independence of the auditor.

Nonconformities with recommendations: None.

BOARD OF DIRECTORS 2023

Members

Lise Mari Haugen, Førde (Chair)
 Magny Øvrebø, Os (Deputy Chair)
 Monica Rydland, Bergen
 Johnny Ivar Haugsbakk, Flekke
 Kristian Skibenes, Måløy
 Geir Opseth, Førde
 Camilla C. Holvik, Måløy (employee)
 Ole Martin Eide, Skei in Jølster (employee)

2023 ANNUAL GENERAL MEETING 2023

Members representing Nordfjord

Bernt Reed, Breim
 Ranveig Årskog, Lote

Members representing Sunnfjord

Brigt Samdal, Eikefjord
 Irene Bjørndal, Førde
 Christine Nikøy Rogne, Fjaler
 Jakob Andre Sandal, Skei in Jølster (Chair)

Members representing Sogn incl. Bergen

Anita Nordheim, Høyanger
 Tore Thorsnes, Leikanger
 Birgitta Hagen Kyrkjebø, Kyrkjebø

Employee representatives

Harald Slettvoll, Førde
 Roger Svarstad, Måløy
 Marie Heieren, Førde (by-election in 2023)
 Ragnhild Helgheim, Byrkjelo
 Hege Gåsemyr, Skei in Jølster
 Rune Vosseteig, Førde

Representatives of equity certificate owners

Rolf Kleiven, Dale
 Ingunn Sognnes, Leirvik
 Randi Engen, Guddal
 Margunn Selvik Grytten, Kvammen
 Marit Lofnes Mellingen, Leikanger
 Katrine Myklebust, Måløy
 Helge Holm-Marøy, Sogndal
 Frank Kirkebø, Førde
 Monika Refvik, Måløy
 Jon Rune Heimlid, Stryn

ELECTION COMMITTEE FOR DEPOSITORS' REPRESENTATIVES AND BOARD OF DIRECTORS

Members

Marit Lofnes Mellingen, Leikanger (Chair)
 Tore Thorsnes, Leikanger
 Roger Svarstad, Måløy

Deputy members

1st deputy: Jan Nikolai Hvidsten, Førde
 2nd deputy: Hanne Katrine Mundal, Bygstad

Deputy employee representatives

Deputy to Camilla C. Holvik: Helene Gåsemyr, Sogndal
 Deputy to Ole Martin Eide: Jo Dale Pedersen, Florø

Deputy members for Nordfjord

Espen Walter Gulliksen, Rugsund

Deputy members for Sunnfjord

1st deputy: Dagrun Kyrkjebø, Førde
 2nd deputy: Tor Einar Erikstad, Holmedal

Deputy members for Sogn and Bergen

Anne Kristin Aarskog, Leikanger

Deputy employee representatives

1st deputy: Tor Ulsten, Florø

Deputies for representatives of equity certificate owners

1st deputy: Arne Håkon Laberg, Årdal
 2nd deputy: Geir Ståle Støfring, Vassenden
 3rd deputy: Ingvild Rutledal, Måløy
 4th deputy: Harald Kvame, Naustdal

Deputy members

Christine Nikøy Rogne, Dale
 Randi Engen, Guddal
 Anita Hagen Lægreid, Årdal (has left the Bank)

ELECTION COMMITTEE FOR ELECTION OF EQUITY CERTIFICATE HOLDER REPRESENTATIVES

Members

Monika Refvik, Måløy (Chair)
 Helge Holm-Marøy, Sogndal
 Randi Engen, Guddal

Deputy members

1st deputy: Marit Lofnes Mellingen, Leikanger
 2nd deputy: Rolf Kleiven, Fjaler
 3rd deputy: Jon Rune Heimlid, Stryn

Directors' report 2023

Introduction

The Sparebanken Sogn og Fjordane Group's profit after taxation was NOK 1,108 million in 2023, which is NOK 329 million higher than in 2022. Low impairment losses and an improvement in financial items help to explain the improvement, but the biggest factor was a strong increase in net interest income.

The highlights in 2023 were:

- Lower demand for loans, but growth was still significantly faster than overall credit growth in Norway
- Continuing, frequent interest rate rises and a higher net interest margin
- Low impairment losses
- Higher expenses due to inflation and wage growth
- A stronger, but still only moderate, contribution from financial instruments
- Good capital and liquidity position
- Our organisation managed to keep its focus on our day-to-day operations while also doing a lot of work on special projects

The Board of Directors is very satisfied with the profit and growth achieved in 2023. In April 2023, the Bank took an important strategic decision to buy shares in SamSpar in order to become part of the SpareBank 1 alliance. In spite of the record levels of activity associated with this and other projects, our organisation managed to keep its focus on the Bank's day-to-day operations and value creation in an exemplary manner. Consequently, Sparebanken Sogn og Fjordane has produced its best ever financial results.

The underlying operations of the Bank have continued the strong improvement in profitability that began in 2022. For many years, the Bank has been following a long-term plan for growth, and it is now reaping the rewards of that work, both through higher net interest income thanks to rising interest rates, but also through the sales culture it has built up which enabled the Bank to achieve healthy growth even in a year when credit growth fell and competition grew. Norges Bank raised its key policy rate from 2.75% at the start of the year to 4.5% at the end of it. As a result, market interest rates also rose, and banks adjusted up their interest rates. The combination of higher interest rates and growth means that the Bank's net interest income rose by NOK 318 million in 2023. Other income rose by NOK 34 million, mainly due to an improvement in financial items.

In 2020 the Bank implemented a cost-reduction programme that kept our expenses virtually flat for three years. In 2023, inflation and wage growth, combined with a significant increase in project activity and in the use of consultants meant that costs rose by NOK 47 million. Even if rising prices and interest rates are expected to create challenges for some businesses and households, so far we are not seeing much increase in defaults and payment problems amongst our customers. Consequently, the Bank's impairment losses remained low in 2023.

In 2024, the Bank will implement a major project to become part of the SpareBank 1 alliance. We must do this without losing sight of our normal operations and our customers. We believe that Sparebanken Sogn og Fjordane will continue to be in a strong position to compete successfully in the future.

Business

Sparebanken Sogn og Fjordane is an independent savings bank with products in banking, financing, insurance, savings, pensions and payment services. Our main market is Sogn og Fjordane, but we are also aggressively targeting the retail market in other parts of Norway.

Our head office is in Førde, and at the end of 2023 we had 12 branches in Sogn og Fjordane, as well as one branch in Bergen.

Sparebanken Sogn og Fjordane sells Frende's insurance products. We also market leases and secured loans offered by SpareBank 1 Finans Midt-Norge AS and Norne Securities' investment funds. In 2023, the Bank decided to join the SpareBank 1 alliance. The Bank will continue to distribute products in cooperation with Frende and Norne until it is part of the SpareBank 1 alliance, after which point it will distribute SpareBank 1 products.

The Sparebanken Sogn og Fjordane Group includes three wholly-owned subsidiaries as well as the parent company Sparebanken Sogn og Fjordane. The Group provides estate agency services through Eignedomsmekling Sogn og Fjordane AS. Bustadkreditt Sogn og Fjordane AS has the aim of buying high-quality residential mortgage loans from Sparebanken Sogn og Fjordane as a basis for issuing covered bonds. Most of the Group's property management activities have been consolidated at Bankeigedom Sogn og Fjordane AS.

Income statement

2023 highlights (2022 figures in brackets)

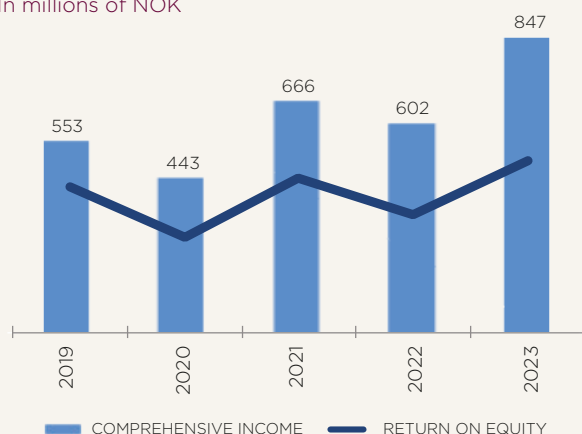
- NOK 1,466 million (1,148 million) of net interest income
- Net gain on financial instruments of NOK 34 million (0 million)
- Total revenues of NOK 1,667 million (1,314 million)
- Operating expenses of NOK 546 million (499 million)
- Impairment loss of NOK 13 million (36 million)
- Pre-tax profit of NOK 1,108 million (779 million)
- Return on equity of 13.5% (10.2%)
- Capital adequacy ratio of 21.0% (20.2%)
- Dividend per equity certificate of NOK 25.00 (12.00)
- Proposed allocation for dividends and gifts of NOK 507 million (248 million)

Profitability

Sparebanken Sogn og Fjordane achieved a strong pre-tax profit of NOK 1,108 million in 2023, NOK 329 million higher than the previous year. Our profit after tax for 2023 came to NOK 847 million, compared with NOK 602 million in 2022. The profit after tax corresponds to a return on equity of 13.5%, against 10.2% in 2022. The improvement was mainly due to higher net interest income. Compared with 2022, there was also a stronger contribution from financial instruments, higher commission income and a lower impairment loss on loans and guarantees. Meanwhile, operating expenses rose moderately.

Profit/loss after tax and return on equity

In millions of NOK



Net interest income

Net interest and commission income reached NOK 1,466 million, NOK 319 million (27.8%) higher than in 2022. Our customer margin has improved significantly over the past year, and loans and customer deposits grew strongly. However, our cost of funds also rose significantly due to the increase in the 3-month NIBOR. In order to reduce our funding costs, we have for some time been working to increase the share of covered bonds in our overall portfolio of debt securities in issue. This has helped

to boost our net interest income. Overall, net interest income is showing strong growth.

Our net interest margin improved markedly from 1.67% in 2022 to 2.02% in 2023.

Net other income

Other operating income totalled NOK 201 million in 2023, compared with NOK 167 million in 2022. The increase was mainly due to a strong contribution from financial instruments in 2023.

Net gains/losses on financial instruments

The Bank had a net gain of NOK 34 million on financial instruments in 2023, against NOK 0 million in 2022. The figure for 2023 included NOK 42 million from long-term shareholdings, compared with NOK 55 million in 2022. This positive contribution from shares mainly consisted of dividends from Frende. For 2023 there was also a NOK 21 million impairment loss on financial instruments (interest items), compared with a NOK 69 million loss the previous year. For further details see Note 22.

Commission income

Commission income totalled NOK 170 million, which was NOK 4 million higher than in 2022. The increase was mainly due to higher commission income on payment services, investment funds and guarantees. Meanwhile, income from insurance fell due to lower profit commission.

Other income

Other income came to NOK 31 million, roughly the same as in 2022.

Operating expenses

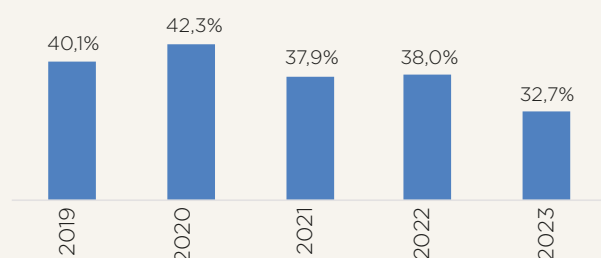
Operating expenses came to NOK 546 million in 2023, which was NOK 47 million (9.3%) more than in 2022. It was particularly external consultants' fees and wage costs that were higher than in 2022. Amongst other things, NOK 7 million has been expensed for adapting to the SpareBank 1 alliance. Expenses also rose on account of generally high wage growth and inflation. However, IT costs were lower than in 2022.

Cost-to-income ratio

Operating expenses in 2023 amounted to 0.75% of average total assets against 0.73% in 2022. This is a level that the Bank is satisfied with and shows that its operations are cost-efficient.

Excluding gains and losses on financial instruments, in 2023 operating expenses totalled 33.4% of total income, compared with 38.0% in 2022. Including gains and losses on financial instruments, in 2023 operating expenses totalled 32.7% of total income, compared with 38.0% in 2022.

Cost-to-income ratio

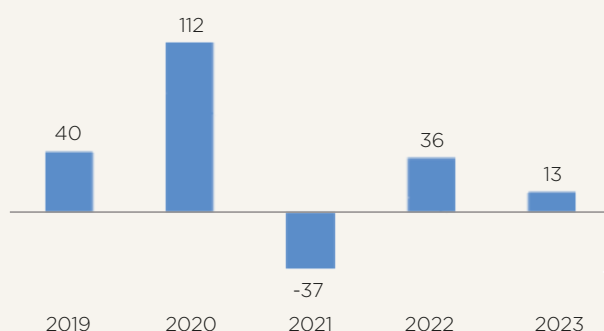


Impairment loss

In 2023 there was a net impairment loss of NOK 13 million, compared with NOK 36 million in 2022. The loss for 2023 was relatively low. There has been an increase in losses on individually assessed assets, while model-based losses have fallen. The impairment loss for 2023 was equivalent to 0.02% of gross loans, compared with 0.06% the previous year.

Impairment loss

In millions of NOK



Tax expense

The Bank's tax expense for 2023 was NOK 261 million, equivalent to 23.6% of pre-tax profit. The 2022 tax expense was NOK 177 million, equivalent to 22.7% of pre-tax profit. The main reason for the fluctuating tax rate is that most gains and losses on shares are covered by the exemption method. The parent company's tax rate is 25%, whereas its subsidiaries are subject to a tax rate of 22%.

Subsidiarie

Bustadkreditt Sogn og Fjordane AS

Bustadkreditt Sogn og Fjordane AS is a wholly-owned subsidiary of the Bank. At 31 December 2023, the company had a NOK 25.1 billion mortgage portfolio. The volume of outstanding loans held by the company fell by 10.1% over the past year. The company is well capitalised, with NOK 2.3 billion in equity and a capital adequacy ratio of 22.2% at 31 December 2023. It made a pre-tax profit of NOK 184 million in 2023, compared with NOK 153 million in 2022.

The company obtains affordable funding for the Group by issuing covered bonds.

The decline in the volume of outstanding loans over the past year was due to the Bank's strategic decision to cooperate with the SpareBank 1 alliance. Over time, this change will involve the parent company transferring some of its mortgage loans to SpareBank 1 Boligkreditt. Consequently, Bustadkreditt Sogn og Fjordane will see its business shrink, but the company will remain in business and will continue to fulfil all of its obligations.

Bankeigedom Sogn og Fjordane AS

Bankeigedom Sogn og Fjordane AS is a wholly-owned subsidiary, which owns the Group's largest buildings. In 2023, it made a pre-tax profit of NOK 5.7 million, compared with NOK 14.5 million in 2022. Profit was lower on account of a gain being realised on the sale of a property in 2022.

Eigedomsmekling Sogn og Fjordane AS

The estate agency Eigedomsmekling Sogn og Fjordane AS is a wholly-owned subsidiary of the Bank. Operating revenues totalled NOK 31.1 million, which was NOK 1.1 million higher than the previous year. The company provided NOK 2.3 million worth of property valuation services to the Bank in 2023, compared with NOK 1.0 million the previous year. This explains the increase in its revenues. The company made a pre-tax profit of NOK 1.2 million in 2023, compared with a loss of NOK 2.7 million in 2022.

Profit

The Group's profit after tax for 2023 was NOK 847 million, compared with NOK 602 million in 2022. This corresponds to a return on equity of 13.5% for 2023, against 10.2% in 2022. The strong profit for 2023 is primarily due to higher net interest income. In addition, there was an improvement in the contribution from financial instruments, strong growth in commission income and low impairment losses on loans. Meanwhile, operating expenses increased moderately.

Sparebanken Sogn og Fjordane has consistently managed to achieve a satisfactory and stable return on equity. The Board of Directors is satisfied with the Group's financial results and return on equity.

The parent company made a profit after tax of NOK 832 million, compared with NOK 671 million the previous year.

Allocation of the parent company's profit for the year (in NOK)

Profit after taxation, parent company	831.787.312
Interest paid to investors in hybrid capital (hybrid debt)	- 28.179.750
Available	803.607.562

At the Annual General Meeting on 21 March 2024, the Board will propose that the profit for the year be allocated as follows:

Dividends (NOK 25.00 per equity certificate)	487.079.675
Gifts	20.000.000
Dividend equalisation reserve	211.351.860
Compensation reserve	85.176.027
Total allocated	803.607.562

The amount allocated to dividends and gifts, which total NOK 507 million, is equivalent to 63.1% of the parent company's profit and is considered justified in view of the Bank's equity position.

Balance sheet

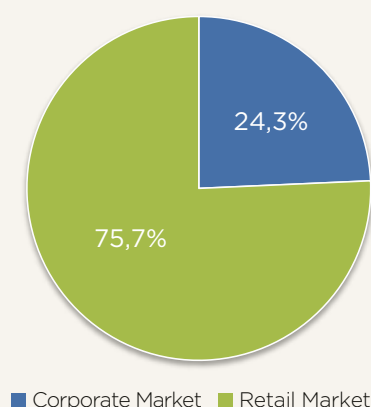
At the close of 2023, the Group had NOK 73.6 billion in total assets, an increase of NOK 2.7 billion, or 3.9%, since 31 December 2022. The increase was mainly due to healthy growth in lending to customers.

Loans to customers

At the end of 2023, Sparebanken Sogn og Fjordane had NOK 64.3 billion of gross outstanding loans. The volume of loans rose by NOK 2.8 billion (4.5%) over the past year. Lending to the retail market rose 5.3% over that period, while lending to the corporate market rose 2.3%.

At 31 December 2023, 75.7% of gross outstanding loans were to retail customers, whilst 24.3% were to the corporate market (incl. the public sector). A year earlier, 24.8% of all lending was to the corporate market.

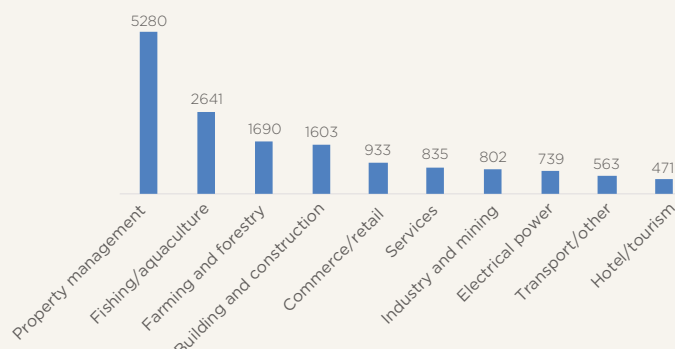
Loans by sector



The figure below shows the distribution of loans to the corporate market by industry at 31 December 2023. The biggest proportion of loans to the corporate market was to property management companies, with NOK 5.3 billion outstanding. This represented almost 34% of all loans to businesses. The fishing and aquaculture industries had received the next largest share, at NOK 2.6 billion, or 17% of all loans to the corporate market.

Gross loans by industry

In millions of NOK



Loss allowance for loans, guarantees and undrawn credit facilities

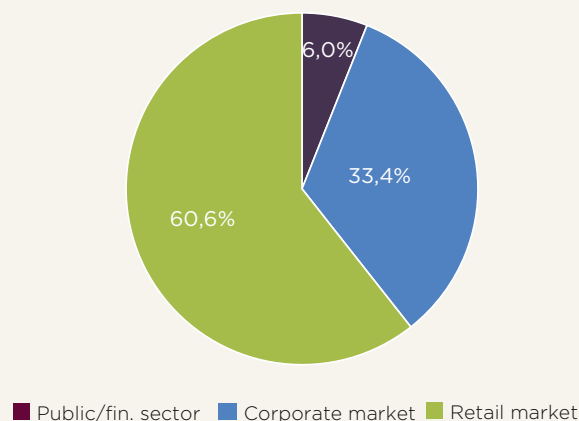
The loss allowance on the balance sheet for expected credit losses on loans, guarantees and undrawn credit facilities totalled NOK 336 million, compared with NOK 334 million the previous year. Of the loss allowance at 31 December 2023, NOK 316 million was for loans. At 31 December 2023, the loss allowance for loans represented 0.49% of gross outstanding loans, compared with 0.51% the previous year. Loss allowances for individually assessed assets have increased, whereas there has been a reduction in model-based allowances. The change in the model-based losses is mainly due to validation of the impairment model.

Customer deposits and deposit/loan ratio

Customer deposits amounted to NOK 35.8 billion at the end of 2023, up NOK 0.9 billion (2.7%) over the year. Retail deposits increased by 4.5%, whilst deposits from corporate customers, including the public and financial sectors, rose 0.1%.

At 31 December 2023, 60.6% of deposits were from retail customers, 33.4% were from business customers and 6.0% were from the public/financial sectors. The Group's deposit/loan ratio was 55.7% at 31 December 2023, compared with 56.7% at 31 December 2022.

Deposits by sector



Security investments

Shares, etc.

At 31 December 2023, the carrying amount of our investments in shares was NOK 734 million, against NOK 758 million at 31 December 2022.

The Bank's portfolio of shares at 31 December 2023 consists of long-term, strategic investments. Our biggest shareholding at 31 December 2023 was in Frende Holding AS, with a carrying amount of NOK 366 million. This ownership interest is related to the fact that the Bank sells Frende's insurance products. Our second biggest shareholding is in SpareBank 1 Finans Midt-Norge AS, with a carrying amount of NOK 119 million. This ownership interest is related to the Bank selling the company's secured consumer loans and lease services.

Commercial paper and bonds

The carrying amount of our investments in commercial paper and bonds was NOK 7.6 billion at the close of the year, compared with NOK 7.5 billion at 31 December 2022. These securities are used to manage liquidity and as a liquidity buffer. Commercial paper and bonds are measured at fair value.

Debt securities in issue

At the close of 2023, we had commercial paper and bonds in issue with a book value of NOK 28.0 billion, against NOK 27.2 billion at 31 December 2022. We had good access to funding throughout 2023, both from senior bond markets and by using Bustadkreditt Sogn og Fjordane AS to issue covered bonds.

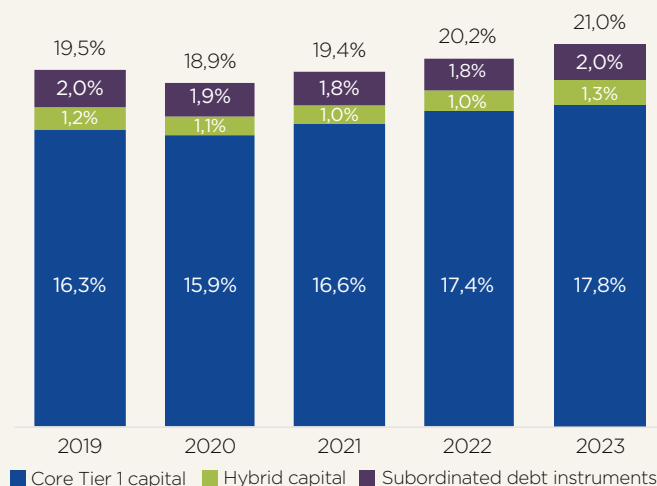
Shareholders' equity and capital adequacy

At 31 December 2023, the Group had NOK 7.3 billion of equity, compared with NOK 6.6 billion at 31 December 2022. Sparebanken Sogn og Fjordane had NOK 4.9 billion of equity share capital and NOK 0.8 billion of primary capital. No new equity certificates were issued in 2023. At 31 December 2023, the Group had hybrid capital consisting of NOK 450 million of hybrid debt, up NOK 100 million over the past year. Its equity was NOK 671 million, or 10.1%, higher than the figure at 31 December 2022. The increase came from profit over the past year less dividends and gifts disbursed.

It also had NOK 705 million of subordinated debt instruments on its balance sheet. Net equity and subordinated debt, which is used to calculate the capital adequacy ratio, totalled NOK 7.4 billion, after rising NOK 519 million (7.6%) over the past year. For the year to 31 December 2023, the proposed allocation for dividends and gifts is NOK 507 million, compared with NOK 248 million for the year to 31 December 2022. The proposed allocation for dividends and gifts has been deducted when calculating the figure for equity and subordinated debt.

The Group's Capital adequacy ratio at 31 December 2023 was 21.0%, compared with 20.2% at 31 December 2022. The Core Tier 1 capital adequacy ratio was 17.8% at 31 December 2023, against 17.4% at 31 December 2022. The Board of Directors considers shareholders' equity at the close of 2023 to be satisfactory.

The graph shows changes in the Group's capital adequacy ratio over the past five years:



Going concern assumption

The 2023 financial statements have been prepared on the assumption of the business being a going concern.

Post balance sheet events

There have been no post balance sheet events that significantly affect the financial statements presented here.

Rating

As of 31 December 2023, Sparebanken Sogn og Fjordane had a long-term rating of A1 from Moody's, with a stable outlook. Bustadkreditt Sogn og Fjordane's covered bond programme has a long-term rating of Aaa. In June 2023, Bustadkreditt Sogn og Fjordane was assigned an A1 issuer rating.

Corporate governance

Our governance is based on Norwegian law, including the Norwegian Accounting Act and the Financial Institutions Act. In general we follow the corporate governance principles set out by the Norwegian Code of Practice for Corporate Governance. The Bank set out its corporate governance principles and practices in accordance with Section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance in a separate chapter of this annual report.

Ownership structure

Sparebanken Sogn og Fjordane was converted into an equity certificate bank in 2010. Sparebankstiftinga Sogn og Fjordane owns 93.0% of the equity certificates. Sparebankstiftinga Fjaler owns 5.92% of them. The Bank itself owns 0.14% of the equity certificates. The remaining 0.94% are almost all owned by employees and Board members at Sparebanken Sogn og Fjordane.

The bank may decide to list its equity certificates on a stock market, and it is following market developments with that in mind.

Internal controls

Internal controls shall help the Bank to reach its strategic goals by ensuring correct measurement, monitoring and pricing of risk, efficient operation and appropriate risk management procedures. Internal control procedures comply with the Norwegian Risk Management and Internal Control Regulations.

All managers of business units are responsible for having effective and appropriate internal controls for managing their own risks in general, and for financial reporting in particular. This involves responsibility for assessing whether the activities of the unit/discipline represent a potential source of errors in financial reporting. Managers shall assess the risk level prior to any measures being taken and assess potential risk-reduction measures. To ensure that the residual risk is acceptable, action shall be taken to assess the need for internal controls, and to ensure that this risk is managed and monitored in a satisfactory manner. Managers of business units must periodically report their findings, and evaluate compliance and the need for additional measures at least once a year. The financial performance of the various departments and business areas is regularly monitored.

The CFO is responsible for the Bank's accounting and finance functions, and is thus responsible for financial reporting and the associated internal control procedures. This also involves ensuring that financial reporting satisfies current legislation and regulations at all times. Processes and internal control procedures have been established to quality assure financial reporting. These include rules on authorisations, the allocation of responsibilities, reconciliation, IT controls, etc.

The Risk and Compliance department shall make sure that risk management and internal controls at business units are in line with legislation, regulations, internal limits and guidelines. Periodic controls and spot checks are used as a basis for quarterly reports on the current status within the various risk

categories. In the annual internal control report, the situation for all major risk categories is reviewed and evaluated, with a focus on quality, challenges and areas for improvement. The Board's risk management committee does the preparatory work for the Board's assessment of the various reports. The Board has adopted instructions for the risk management and compliance function. An annual cycle has been established for internal controls at various levels, which specifies risk assessment requirements, including risk-reduction measures, reviews of regulations, monitoring, reporting and confirmation of internal controls.

The internal auditor produces an annual report on risk management and internal controls for the senior management team and Board. The report is based on the auditor's own auditing activities. Auditing projects are set out in the annual plan for the internal auditor adopted by the Board.

Each year, the external auditor writes a report on the results of the financial audit. The report also includes information about any weaknesses and defects, and suggested corrective measures. This is then followed up by the relevant units and by the risk management and compliance department. The external auditor also holds annual meetings with the Board, which are not attended by the senior management team.

The Board supervises the procedures for financial reporting, internal controls, risk management and compliance, and has overall responsibility for ensuring that they work properly. To support it in this work the Board has its own sub-committees, the audit committee and the risk management committee, which prepare the review of the interim and annual reports, and make sure that the Group has an independent and effective external auditor. The annual financial statements are finally approved by the General Meeting, after they have been reviewed by the Group's Board of Directors.

Risk and capital management

The Bank's risk and capital management activities shall help it to achieve its strategic goals. Quarterly reports enable the Board to evaluate the Bank's risk exposure and capital position against the adopted corporate governance goals and frameworks. Each year, the Board reviews and adopts the Bank's capital requirements and planning through the Internal Capital Adequacy Assessment Process (ICAAP). In addition, the Board adopts a credit strategy and finance strategy, as well as limits for capital adequacy, credit risk, liquidity risk and market risk. The Board has also adopted guidelines on risk management at Sparebanken Sogn og Fjordane, which set out how internal controls and

risk management activities at the Bank should be implemented and who is responsible for them. The Board believes that the Bank's procedures for risk and capital management work well.

It uses the standardised approach to calculate its capital requirements arising from credit risk, and the basic indicator approach for operational risk. The Pillar 2 capital requirement is calculated using the models explained by the Financial Supervisory Authority of Norway in its circular 3/2022. Supplementary assessments and provisions are also made where necessary. Although the Bank does its own calculations of the Pillar 2 capital requirement, it is still the Financial Supervisory Authority of Norway that establishes the Pillar 2 requirement that the Bank must meet. At the close of 2023, the Pillar 2 requirement was 1.7% of the risk-weighted calculation basis.

Risk levels and capital requirements are reported to the Board through quarterly risk management reports and through the ICAAP report. This means that the Board always knows whether the bank is adequately capitalised and that the limits on risk have not been breached. The Bank also has a contingency plan for liquidity. The Bank's recovery plan also provides a good picture of the Bank's ability to recover in the event of a crisis that causes it to breach its capital and liquidity requirements. During the course of 2023, a significant amount of effort was put into ensuring that the Bank complies with the Bank Recovery and Resolution Directive (BRRD), which came into force on 1 January 2024.

The Bank's operations expose it to various kinds of risks. Those risks are constantly evolving, and new types of risk arise in parallel with changes to the operating environment and society as a result of technological advances, climate change, changing customer preferences and new regulatory requirements.

Credit risk

The Board provides the framework for the Bank's credit risk through its credit policy and rules on the granting of loans and credits. The credit strategy is established each year in light of our overall strategy. The credit strategy provides guidelines for credit activities the following year. The overall credit risk is monitored through monthly reports that show how we are complying with our risk frameworks.

In 2023, the Bank's impairment loss was equivalent to 0.02% of gross loans. The loss allowance on the balance sheet for expected credit losses on loans, guarantees and undrawn credit facilities was NOK 336 million at 31 December 2023, up NOK 2 million since 31 December 2022. The overall levels of

credit-impaired assets in both the corporate and retail markets are well below the limits established by the Board. At the end of 2023, loans to the corporate market represented 24.3% of overall lending. Of the CM loans, 7.7% by volume were defined as high-risk loans at the end of the year.

During 2023, Norges Bank raised its key policy rate by 1.75 percentage points. Interest rates on loans rose roughly in line with the key policy rate. When combined with continuing high inflation on essential goods and services, this meant that many of our retail customers had less surplus liquid assets in 2023. In the case of our business customers, many of them have felt the effects of the high inflation we have had over the past two years, but so far they have handled this well.

In spite of many of our customers in both the retail and corporate markets having to deal with rising costs during 2023, without this being fully compensated by income growth, we consider the overall risk associated with our loan portfolio to be low at the start of 2024.

Operational risk

Sparebanken Sogn og Fjordane manages its operational risk through procedures and work processes. Many of our systems have integrated automatic controls, and manual controls are also carried out subsequently. The Bank has a separate strategy for managing operational risk. We have also developed an incident database to improve the way in which we manage operational risk, and to learn from operational errors.

The internal control process, including risk assessments, risk-reduction measures and reporting, plays a key role in managing operational risk. Using strategies and forecasts, the Board and senior management team establish goals for the coming year. The Bank's business areas must then ensure that their operations help to achieve these goals. The business areas perform risk assessments in order to uncover which factors could prevent the goals from being reached. For major risks, risk-reduction measures and controls should be planned to ensure that risks are limited to an acceptable level. The risks identified, and associated plan of action, are used as a basis for monitoring and reporting over the course of the year.

During 2024, the conversion process for joining the SpareBank 1 alliance will increase operational risk. Two main measures were taken in 2023 to manage this risk: Firstly, a thorough preparatory project was implemented, with seven work flows mapping out in detail the impacts of joining the SpareBank 1 alliance on our systems, processes, procedures, products,

staffing and organisation. The second measure was to hire additional staff to several business areas, to ensure that we have the capacity to continue providing a high quality of service in our core business in parallel with the conversion process, and to help manage the risks associated with this. This strong focus on operational risk will remain in place in 2024. The senior management team has a particular responsibility for making sure that operational risk is thoroughly analysed in the risk assessments performed by the various specialist areas, and that the necessary measures are implemented.

Compliance risk

The complexity of the rules that the Bank must comply with is constantly increasing. That creates a need to familiarise ourselves with the regulations, adapt our operations to comply with the new requirements and, in many cases, introduce new technology to meet reporting requirements. The Bank has invested in that technology, and through projects and in its day-to-day operations it provides training and advice on how to interpret the regulations. This reduces the likelihood of failure to comply with laws and regulations. The Bank has also taken on additional staff to reduce compliance risk.

Market risk

Market risk is managed and measured in three main areas: interest rate risk, equity risk and currency risk. The Board has placed limits on the Bank's permitted interest rate risk and on its exposure to foreign exchange markets. All of its exposure to shares comes from strategic, long-term investments.

Interest rate risk derives from interest-bearing securities, forward contracts, fixed-rate loans and fixed-rate deposits. Interest rate risk is calculated by working out how much financial values will change if interest rates change. The Board adopts limits on exposure within various fixed interest ranges and on overall exposure.

Currency exposure is linked to international payment services, foreign currency holdings, foreign currency loans and futures contracts. Currency risk is managed by setting limits on total exposure to currency risk, as well as limits for individual currencies, and is reported daily.

Cyber risk

The Financial Supervisory Authority of Norway's annual risk and vulnerability analysis shows that financial institutions are doing a good job at reinforcing their defences against cybercrime. The industry cooperation through Nordic Financial CERT (NFCERT) is improving our understanding of threats and risks, and it is putting companies in a

better position to handle digital threats and prevent unwanted incidents. At the same time, vulnerabilities have been uncovered that create a risk of serious incidents in the financial sector.

Sparebanken Sogn og Fjordane monitors the threats facing the Bank, both through its internal monitoring system and by using external sources. The Bank is continuously collecting up-to-date threat intelligence from sources like NFCERT, NSM, SANS Institute, etc. The Bank also reports, and discusses, serious incidents with NFCERT.

One of the Bank's key priorities has been strengthening its internal security culture. This is done across the whole organisation through training. Sparebanken Sogn og Fjordane has an ICT strategy that is updated each year, and which is coordinated with the overall continuity plan and underlying continuity plans. They are also updated annually. The Bank works systematically to keep up with developments in the digital threats it faces. As well as projects to manage cyber risk, the Bank has established a dedicated "Annual cycle for digital security" that sets out its regular activities. The annual cycle for digital security is continuously reviewed and updated to reflect developments in cyber security.

The Bank's ICT infrastructure consists of a system portfolio, a number of networks and large amounts of data of various kinds and with various levels of classification. These three parts of the infrastructure are protected by several defensive mechanisms which the Bank tests regularly. In the internal auditor's annual plan, the Board has in recent years emphasised the need for the internal auditor to focus particularly on ICT security. This is done centrally by specialists at our internal auditor (PWC). The first line of defence has also at its own initiative hired external consultants to perform penetration tests over and above those done through internal audit projects. Each year we also run internal phishing tests directed at employees. Using an internal auditor and external consultants has played an important role in improving work processes and security at the Bank.

As part of disaster preparedness, annual disaster recovery exercises are carried out involving ICT incidents. In addition, major emergency preparedness drills are held covering topics that go beyond ICT. The Bank is in the process of introducing a new Information Security Management System (ISMS). Sparebanken Sogn og Fjordane takes the threat posed by cybercrime very seriously, and is working systematically to implement the measures and investments needed to reduce the risk of cyberattacks.

ESG risk

ESG risk covers risks relating to the climate and environment, social issues and corporate governance. The EU has created a classification system that defines the criteria for judging whether or not an economic activity can be considered sustainable. The goal is to establish a shared understanding of what is sustainable, and to avoid “greenwashing”.

Climate risk is currently the most important risk within ESG. Climate risk is the risk associated with climate change leading to an increase in the Bank's risks and losses. Climate risk can be split into three main categories:

- Physical risk: The risk that climate change will lead to temperature changes and more extreme weather events. This has the potential to reduce the value of assets, and thereby cause major financial losses to both the Bank's customers and SSF.
- Transition risk: Risks associated with the transition to a net zero society. These include political, regulatory and technological factors that may affect demand for goods and services.
- Liability risk: The Bank may be held liable for damage due to climate change caused by decisions, or the failure to take decisions, both at the Bank itself and amongst its customers.

Climate- and nature-related risks affect the Bank's strategy, business model and financial performance. But it also works the other way around: the Bank's operations can have an impact on the climate and natural environment.

Sustainability forms part of the Bank's strategy. Sustainability shall form a natural part of the Bank's operations, across all departments and regions. Key performance indicators and governance objectives covering climate risk will be developed progressively. In 2023 the Bank signed up to PCAF, which is an international and Nordic partnership for estimating financed emissions. This is important in terms of enabling the Bank to report its financed emissions using the best available data, and thereby find out where we stand in relation to our long-term goal of being carbon neutral by 2050.

Sparebanken Sogn og Fjordane has Eco-Lighthouse certification and produces annual greenhouse gas accounts in accordance with the Greenhouse Gas Protocol. Used to identify significant sources of emissions, it is the most widely used reporting standard for calculating greenhouse gases emissions.

For banks, climate risk comes to the fore by affecting other risk categories. It will therefore be vital to include an assessment of climate risk in our management of the other risk types the bank is exposed to, in order to handle the risks that may arise as a result of climate change in the best possible way. This is most important in relation to credit risk, but similar assessments have been carried out in relation to market risk, operational risk, business risk and funding and liquidity risk. In relation to credit provision, ESG and climate risk assessments are carried out for all business customers with over NOK 3 million of credit. During 2023, a scenario analysis was also performed for physical climate risk, i.e. flooding, landslides and sea level rise, covering all properties in the RM portfolio.

The Bank must report in line with the CSRD (the EU's new Directive on sustainability reporting). The CSRD will lead to big changes in how companies report on sustainability. We have initiated an internal project to ensure that the Bank is ready to comply with the regulations when the rules come into force on 1 January 2025. The Bank published a TCFD report in the first quarter of 2023.

Liquidity risk

Liquidity risk is the risk that the Bank will be unable to fulfil its obligations and/or finance an increase in assets without significant additional cost, either because it has to realise losses on the sale of assets or because it has to make use of unusually expensive financing. Liquidity risk is managed by creating stress tests, forecasting liquidity needs and drawing up a contingency plan for dealing with any loss of access to liquidity. The results of the stress tests, together with statutory requirements relating to the LCR and NSFR, determine the internal limits established for the size of the Bank's liquidity buffer. The Bank is in a strong position compared with the statutory requirements, and at the close of 2023 its LCR was 165% and its NSFR was 122%.

Money laundering risk

On account of the kind of services they offer, banks in general are considered to face high risks of money laundering and terrorism financing. This risk can be reduced by your choice of products, services, customers and customer activities, but good governance and control systems, procedures and training also play a vital role in reducing the risk of money laundering. The financial services industry plays an important role in society's fight against money laundering and terrorism financing. Sparebanken Sogn og Fjordane takes its responsibility seriously and is working to ensure good compliance with the regulations. Work on anti-money laundering and anti-terrorism financing are therefore central

to the Bank's strategy. The vast majority of Sparebanken Sogn og Fjordane's business customers are based in the former county of Sogn og Fjordane. In the retail market, the Bank has customers all over Norway, but the majority are in Vestland county. Having a high proportion of longstanding customer relations, as well as offering a wide range of products, helps to ensure that the Bank knows its customers well, providing a good foundation for managing money laundering risk. It is vital for the whole organisation to have a good understanding of the stipulations of the Anti-Money Laundering Act and a strong focus on compliance. When dealing with customers, employees shall show professional scepticism towards information and documentation provided by customers, and be conscious of indicators of money laundering and terrorist financing.

Other risk categories

In addition to the above risk categories, the Bank is also exposed to other types of risk, such as business risk, shareholder risk and systemic risk. An assessment of these is incorporated into our day-to-day operations, and the Board is kept informed through operational reporting, ICAAP and internal audit reports.

Capital management

The annual ICAAP process assesses and quantifies the risks the Bank is exposed to, and sets aside capital for the various types of risk. The amount set aside should be forward-looking. In other words, the capital requirement shall not purely be assessed on the basis of exposures at a given point in time, but rather it shall also take into account future growth plans, strategic changes and choices that will affect capital requirements. Financial projections covering at least the next three years shall be drawn up. As a basis for properly assessing capital requirements, scenario analyses shall be carried out showing how negative events would affect the income statement, balance sheet, liquidity and capital adequacy.

Based on the projections and scenario analyses, the Board performs an overall assessment of whether capital levels are acceptable. The Bank shall at all times satisfy statutory capital requirements. In addition, it is important for the Bank to have sufficient capital for organic growth and any acquisitions, as well as to satisfy expectations with respect to dividends and gifts. If the Bank needs a capital increase over and above what the retained earnings from its operations allow, it can increase its core Tier 1 capital by issuing new equity certificates or by reducing its allocation for dividends and gifts. Core capital and total capital can be increased by issuing hybrid debt and subordinated loans.

Balance sheet management is also an important tool in the Bank's capital management. The Bank's recovery plan includes analyses of what impact various balance sheet management actions have on capital adequacy, liquidity and profitability, and of the Bank's capacity to take those kinds of actions.

In recent years, the Bank's capital adequacy ratio and capital surplus (capital surplus = core Tier 1 capital adequacy ratio – regulatory capital requirement) have been as follows:

	31.12.20	31.12.21	31.12.22	31.12.23
Total capital adequacy	18,88 %	19,44 %	20,15 %	21,03 %
Core capital adequacy ratio	17,02 %	17,66 %	18,39 %	19,04 %
Core Tier 1 capital adequacy ratio	15,94 %	16,62 %	17,36 %	17,75 %
Core Tier 1 capital requirement	12,70 %	12,70 %	13,70 %	15,20 %
Capital surplus	3,24 %	3,92 %	3,66 %	2,55 %

The Board considers the capital adequacy ratios to be satisfactory. The Bank is also in a strong position to meet future capital requirements. With the introduction of the new standardised approach for credit risk in 2025, our capital adequacy will increase, as a result of lower average risk weightings for advances to customers.

Organisational structure and employees

Working environment and sickness absence

Sparebanken Sogn og Fjordane carries out annual surveys to find out how satisfied employees are with their work. Last year, we carried out two surveys: one major employee satisfaction survey and a shorter so-called pulse survey. The surveys measure employee satisfaction and engagement, and allow employees to provide feedback on their experience in terms of information flow, communication and support.

The surveys show that we have a good working environment, in comparison to the industry and workplaces in general. Both employee satisfaction and engagement improved during 2023. In areas for improvement and development, action is taken both at the Group level and in individual departments, to improve the working environment and ensure good future performance.

Since 2003, we have been signed up to the IA programme for inclusive working life. This means that we have undertaken to work on minimising

sickness absence, and on making it possible for employees who develop partial incapacities to continue working. We have set up a dedicated IA committee, whose responsibilities include preparing an action plan for this area. There were no reported occupational lost time injuries in 2023. The Bank's working environment was high up the agenda in 2023. Our working environment committee held four meetings in 2023, and dealt with twelve working environment cases.

The average sickness absence rate was 4.21% in 2023, which is lower than in 2022, when it was 4.63%. The Bank prioritises following up people on sick leave and tries to make adaptations to help them return to work as soon as possible.

Pay, equality and diversity

We aim to be one of the best places to work in Sogn og Fjordane. This includes providing equal opportunity and promoting diversity.

We aim to have a system that allows women to take up management positions. Four of our eight Board members are women. The senior management team comprises three women and six men, including the CEO. 56 percent of employees are women and 44 percent are men, unchanged from in 2022. The proportion of line management positions held by women fell to 38% in 2023 from 44% in 2022. That is outside our target range of 40-60%, and the Bank is working actively to increase the number of women in senior roles. Amongst other things, in 2023 two employees at the Bank took part in a management development programme for women. The Bank is signed up to the Women in Finance Charter, which commits it to setting internal goals for gender balance in senior roles, and to having one senior executive with dedicated responsibility for gender diversity and equality at the Bank.

Women's pay as a % of men's pay increased to 89% in 2023 from 87% in 2022. The Bank has worked systematically on equal pay during both recruitment processes and pay reviews, and has taken measures to iron out wage gaps that cannot be explained by factors other than gender.

22 of our 292 employees work part time. 15 of them are women and 7 are men. The part-time staff generally work 80 or 90 percent of a full-time job, with the exception of students working part time at the Student Centre or Customer Service Centre.

We are not aware of there being any involuntary part-time workers at the Bank. In 2023, the Bank had 15 temporary members of staff. 9 of them were women and 6 were men. We welcome employees with disabilities and with special requirements

and will continue to focus on providing equal opportunities and fair treatment at all levels of the organisation.

Further information about the Bank's work on its organisation and HR, about equality, diversity and inclusion, and about health and safety, can be found in the chapter on "Our Proficient Team".

The environment

Climate change is the biggest challenge of the age. There is great potential for the banking industry to promote sustainable development, and Sparebanken Sogn og Fjordane wants to make a difference.

The Bank doesn't use inputs or production methods that directly pollute the environment. The Bank has health, safety and environmental procedures for purchasing decisions and business travel.

We are certified as an Eco-Lighthouse, we set high standards of ourselves and we aim to continuously reduce the environmental impact of our own operations. We will publish greenhouse gas (GHG) accounts for 2023 and use them to set goals for further reductions in GHGs. We report in accordance with the GHG Protocol, which is the most widely used standard for reporting the greenhouse gas emissions of companies. We have around 30 permanently installed video conferencing systems as well as several other good communication systems for employees. This has significantly reduced car and air travel, as well as increasing the overall efficiency of the organisation. In 2022, the Bank adopted a dedicated sustainability strategy that runs until 2024, setting out specific actions with respect to our own operations, in order to reduce our emissions and impact on the climate. In 2023 we have done even more work to map the emissions associated with our loan portfolio and to classify loans according to their climate risk. In December 2023 the Bank joined the Partnership for Carbon Accounting Financials (PCAF), which will give us access to a comprehensive emissions database and guidance. That will enable us to calculate our financed emissions even more accurately in 2024.

For more information about the Bank's work on sustainability and climate change, please see our annual report, and the sustainability appendix including GRI reporting and the Bank's GHG accounts.

Corporate social responsibility

Sparebanken Sogn og Fjordane has a close relationship with local communities in Sogn og Fjordane, and their interests and those of the bank are closely intertwined. With a market share of 50 percent in retail banking, Sparebanken Sogn og Fjordane is the biggest bank in the region. Six out of every ten limited companies in the county bank with us, and we are an important source of financing for the business community. We consider that ensuring successful, forward-looking activity in the corporate market is our most important responsibility to society.

The Bank and the foundations that own it put significant amounts of money back into the local community through gifts and sponsorship agreements, across a wide range of activities in the fields of culture, business development, sport and outdoor recreation.

Through our lending activities, we can help to promote sustainable development and provide advice to businesses. By teaching our employees about the importance of social responsibility to the future of the business community, we believe that we can help our corporate customers to take greater responsibility. In a rapidly changing banking industry, using corporate social responsibility to build up a strong local brand is becoming more important than ever. We shall demonstrate corporate social responsibility and help our customers to take sustainable decisions. One way to achieve that is to offer green products on attractive terms.

The Bank's long-term CSR strategy is to:

- Develop social responsibility as an integrated part of our corporate culture and strategic planning
- Ensure that social responsibility becomes a natural part of interaction with customers and other stakeholders
- Continue to develop our reputation for corporate social responsibility

For further information about CSR, please see the "Sustainability appendix" in our annual report for 2023 and our web page www.ssf.no/sustainability.

Operating environment

High inflation and rising interest rates during 2022, 2023 and the start of 2024 are expected to impact the finances of households and businesses to the extent that it is reasonable to expect demand for mortgages to remain low in 2024. Lower demand will probably lead to fiercer competition. Sparebanken Sogn og Fjordane is a small player in the national market and will strive to continue

growing faster than the market as a whole over the coming period.

In banking and finance, the benefits of economies of scale have increased in recent years. Rules on capital adequacy that result in small and medium-sized standard approach banks like Sparebanken Sogn og Fjordane being less profitable than big banks per krone they lend, ever increasing regulatory requirements, which are both complex and costly to comply with, and a growing need for investment in ICT and ICT security are making it more challenging to be an independent medium-sized bank. In 2025, new capital adequacy rules are expected that may even out the differences and somewhat reduce the competitive disadvantages for standard approach banks, but with that exception we expect the pressure to consolidate into bigger entities will continue.

In 2023, Sparebanken Sogn og Fjordane took the decision to invest in, and to join, SamSpar and the SpareBank 1 alliance. This is a strategic decision that will strengthen Sparebanken Sogn og Fjordane and increase the long-term likelihood of us remaining a strong, independent savings bank with its head office in Sogn og Fjordane.

Summary and outlook

The start of 2023 was a period of great uncertainty. The war in Ukraine, high energy prices, high inflation and rising interest rates meant that many people were unsure how 2023 would turn out. In spite of inflation and rising interest rates making many people's day-to-day finances tighter, the economy as a whole has coped better than expected. Unemployment remains low and so far economic activity has held up well in most industries. In 2023 central banks achieved the difficult balancing act of slowing inflation without causing too much harm. However, the most recent interest rate rises have not had much time to take effect, so there is still uncertainty about the full impact of the tightening of monetary policy. Meanwhile, the geopolitical situation feels more unstable than in a long time. Things could go either way in the year ahead. 2024 may be the year that central banks get inflation under control, while interest rates come back down a bit, in which case Norwegian households will find their personal finances on a surer footing.

Or it could be the year when the economy slows up, leading to bankruptcies, unemployment and growing challenges. The Bank expects lower demand for loans, and we are preparing for fiercer competition for customers. We also hope that the geopolitical situation improves, rather than further deteriorating.

For the Bank, 2023 was a very good year. Healthy growth and rising interest rates led to a big increase in net interest income, which is our most important source of revenue. Meanwhile, the Bank experienced low impairment losses and an improvement in the contribution from financial instruments, and in spite of a big increase in expenses in 2023, the Bank remains cost efficient. Overall, the Group made a profit after taxation of NOK 847 million, giving a return on equity of 13.5%. The Board is very satisfied with this record level of profit. It allows the Bank to increase its dividend while also building up its financial strength, giving the Bank a core Tier 1 capital adequacy ratio of 17.8% and total capital adequacy ratio of 21.0% at the end of the year. These capital adequacy ratios are well above the relevant requirements and the Bank's financial position is stronger than ever.

In 2024, the Bank will implement a major project in conjunction with joining the SpareBank 1 alliance. At the same time, the Bank must not lose sight of its customers and must remain competitive. Our flexible and highly skilled employees will ensure that we manage to continue adapting, developing and adding value. In the corporate market, Sparebanken Sogn og Fjordane's main focus will remain on the geographic region of Sogn og Fjordane, but as before we will seek to capture additional retail customers all over Norway. The Board believes that the Bank is in a strong position to tackle any challenges that arise in 2024 and the years ahead.

The Board of Directors would like to thank all of our employees for their great work during the past year. We would also like to thank our customers and partners for another successful year together.

Førde, 28 February 2024

Lise Mari Haugen
Chair

Magny Øvrebø
Deputy chair

Monica Rydland

Johnny Haugsbakk

Geir Opseth

Kristian Skibenes

Camilla C. Holvik

Ole Martin Eide

Trond Teigene
CEO

Income statement

PARENT COMPANY

CONSOLIDATED

2022	2023	AMOUNTS IN MILLIONS OF NOK	Note	2023	2022
1 556	2 658	Interest income	20	3 789	2 176
600	1 401	Interest expenses	20	2 323	1 029
956	1 257	Net interest income		1 466	1 148
164	167	Commission income	21	170	166
31	34	Commission expenses	21	34	31
210	160	Net gains/losses on financial instruments	22	34	0
12	13	Other income	23	31	31
355	307	Net other operating income		201	167
1 311	1 564	Total revenues		1 667	1 314
256	274	Wages, salaries, etc.	24, 25, 26	294	276
187	219	Other expenses	24	229	199
32	26	Depreciation and impairment of fixed assets and intangible assets, and gains/losses	33, 34, 35	23	24
475	519	Total operating expenses		546	499
836	1 045	Profit/loss before impairment loss		1 121	815
23	- 6	Impairment loss	15	13	36
813	1 051	Profit/loss before taxation		1 108	779
141	219	Tax expense	27	261	177
671	832	Profit/loss for the financial year		847	602
STATEMENT OF COMPREHENSIVE INCOME					
671	832	Profit/loss for the financial year		847	602
Other comprehensive income					
Other items that may be reclassified subsequently to profit or loss, after tax					
0	0	Gain/loss on available-for-sale financial assets		0	0
Other items that will never be reclassified to profit or loss, after tax					
0	0	Remeasurements, pensions		0	0
0	0	Total other comprehensive income for the year, after tax		0	0
671	832	Comprehensive income		847	602
30,06	37,10	Profit per equity certificate (weighted), in NOK		37,79	26,98

Balance sheet

AMOUNTS IN MILLIONS OF NOK

PARENT COMPANY				CONSOLIDATED	
31.12.22	31.12.23	ASSET	Note	31.12.23	31.12.22
19	18	Cash and cash equivalents		18	19
5 032	3 140	Loans and advances to credit institutions/ central banks	3, 17, 28	534	714
33 272	38 888	Loans to customers	3, 7-16, 28	63 970	61 184
7 259	7 194	Commercial paper and bonds	3, 29	7 627	7 467
716	741	Financial derivatives	3, 30	413	375
758	734	Shares	3, 31	734	758
3	0	Investments in associates	32	0	3
2 212	2 212	Investments in subsidiaries	32	0	0
14	8	Intangible assets and goodwill	33	9	16
79	88	Fixed assets	34-35	101	88
29	26	Deferred tax assets	27	16	20
159	124	Other assets	36	132	180
49 553	53 173	Total assets		73 556	70 824
640	731	Debt to credit institutions	3, 17, 28	502	504
34 870	35 827	Deposits from and debt to customers	3, 28, 37	35 796	34 846
5 817	7 519	Debt securities in issue	3, 28, 38	28 040	27 169
680	669	Financial derivatives	3, 30	614	612
153	216	Tax payable	27	256	187
0	0	Deferred tax	27	0	0
273	333	Other liabilities and provisions	39	326	258
603	705	Subordinated debt instruments	40	705	603
43 035	46 000	Total liabilities		66 240	64 179
4 650	4 943	Equity share capital	48	4 943	4 650
700	798	Primary capital		798	700
569	476	Other equity		618	696
350	450	Hybrid capital		450	350
248	507	Proposed allocation for dividends and gifts	48	507	248
6 518	7 173	Total equity		7 316	6 645
49 553	53 173	Total debt and equity		73 556	70 824

Førde, 28 February 2024

Lise Mari Haugen
ChairMagny Øvrebø
Deputy chair

Monica Rydland

Johnny Haugsbakk

Geir Opseth

Kristian Skibenes

Camilla C. Holvik

Ole Martin Eide

Trond Teigene
CEO

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Equity statement

	EQUITY SHARE CAPITAL					OTHER EQUITY				
	Equity certi- ficates	Divi- dend equali- sation reserve	Own equity certi- ficates	Share pre- mium account	Primary capital	Hybrid capital	Reserve for un- realised gains	Other equity	Allocated dividends and gifts	Total
PARENT COMPANY										
Balance at 31.12.21	1 948	2 452	0	16	645	350	454	0	187	6 053
Allocated for dividends and gifts	0	0	0	0	0	0	0	0	- 187	- 187
Interest paid to investors in hybrid capital	0	0	0	0	0	- 16	0	0	0	- 16
Purchase and sale of own equity certificates	0	0	- 3	0	0	0	0	0	0	- 3
Proposed allocation of profit/loss for reporting period	0	237	0	0	55	16	115	0	248	671
Other comprehensive income	0	0	0	0	0	0	0	0	0	0
Balance at 31.12.22	1 948	2 689	- 3	16	700	350	569	0	248	6 518
Balance at 31.12.22	1 948	2 689	- 3	16	700	350	569	0	248	6 518
Allocated for dividends and gifts	0	0	0	0	0	0	0	0	- 248	- 248
Change in hybrid capital	0	0	0	0	0	100	0	0	0	100
Interest paid to investors in hybrid capital	0	0	0	0	0	- 28	0	0	0	- 28
Purchase and sale of own equity certificates	0	0	- 1	0	0	0	0	0	0	- 1
Proposed allocation of profit/loss for reporting period	0	293	0	0	97	28	- 94	0	507	832
Other comprehensive income	0	0	0	0	0	0	0	0	0	0
Balance at 31.12.23	1 948	2 982	- 3	16	798	450	476	0	507	7 173

Equity statement (cont.)

	EQUITY SHARE CAPITAL					OTHER EQUITY				
	Equity certi- ficates	Divi- dend equali- sation reserve	Own equity certi- ficates	Share pre- mium account	Primary capital	Hybrid capital	Reserve for un- realised gains	Other equity	Allocated dividends and gifts	Total
CONSOLIDATED										
Balance at 31.12.21	1 948	2 452	0	16	646	350	454	196	187	6 249
Allocated for dividends and gifts	0	0	0	0	0	0	0	0	- 187	- 187
Interest paid to investors in hybrid capital	0	0	0	0	0	- 16	0	0	0	- 16
Purchase and sale of own equity certificates	0	0	- 3	0	0	0	0	0	0	- 3
Proposed allocation of profit/loss for reporting period	0	237	0	0	55	16	115	- 69	248	602
Other comprehensive income	0	0	0	0	0	0	0	0	0	0
Balance at 31.12.22	1 948	2 689	- 3	16	700	350	569	127	248	6 645
Balance at 31.12.22	1 948	2 689	- 3	16	700	350	569	127	248	6 645
Allocated for dividends and gifts	0	0	0	0	0	0	0	0	- 248	- 248
Change in hybrid capital	0	0	0	0	0	100	0	0	0	100
Interest paid to investors in hybrid capital	0	0	0	0	0	- 28	0	0	0	- 28
Purchase and sale of own equity certificates	0	0	- 1	0	0	0	0	0	0	- 1
Proposed allocation of profit/loss for reporting period	0	293	0	0	97	28	- 94	15	507	847
Other comprehensive incomeperiod	0	0	0	0	0	0	0	0	0	0
Balance at 31.12.23	1 948	2 982	- 3	16	798	450	476	142	507	7 316

Equity statement (cont.)

Explanation of the various types of equity:

Equity share capital:

Equity share capital comprises capital that in accordance with the articles of association is linked to equity certificates. Profit after taxation attributable to equity share capital is allocated to the dividend equalisation reserve in proportion to the ownership ratio, after deducting dividends and a proportionate share of interest paid to investors in hybrid capital. The dividend equalisation reserve may be used to maintain the payment of dividends to the equity certificate holders, if the Bank's equity position allows it.

Primary capital:

Primary capital comprises capital that is not equity share capital. Profit after taxation attributable to primary capital is allocated to primary capital, after deducting gifts and a proportionate share of interest paid to investors in hybrid capital.

Hybrid capital:

Hybrid capital consists of hybrid debt that meets the criteria for being defined as equity and core capital under rules on capital adequacy. Interest on hybrid capital is split between the dividend equalisation reserve and primary capital in proportion to the ownership ratio, and is in practice allocated together with profit.

Reserve for unrealised gains:

The reserve for other unrealised gains comprises unrealised gains on financial instruments whose valuation is different under IFRS and Norwegian accounting principles. Amongst other things, it includes unrealised gains on shares.

Other equity:

Other equity comprises retained earnings from various subsidiaries and unallocated profit.

Dividends and gifts:

Proposed dividends and gifts are included under equity until their disbursement is adopted by the AGM.

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Note 1 Accounting principles

GENERAL

The 2023 financial statements for Sparebanken Sogn og Fjordane were discussed and adopted at the Board meeting on 28 February 2024.

All amounts in the accounts and notes are given in millions of NOK unless otherwise specifically stated.

Sparebanken Sogn og Fjordane has debt securities listed on Nordic ABM.

ACCOUNTING STANDARDS APPLIED

Sparebanken Sogn og Fjordane's consolidated and parent company accounts have been prepared in accordance with international IFRS accounting standards. Any references to "IFRS" shall hereafter refer to the IFRS® Accounting Standards as approved by the EU as of 31.12.2023.

CORPORATE STRUCTURE

There were no changes to our corporate structure in 2023.

CHANGES TO ACCOUNTING PRINCIPLES AND DISCLOSURES IN NOTES

As a general rule, all income and expenses are measured through profit or loss. The exception to this rule is the effect of changes to accounting principles. In the event of fundamental accounting reforms/changes to accounting principles, the figures for previous years must be restated to allow accurate comparison. If items in the accounts are reclassified, comparative figures for previous periods shall be calculated and reported in the financial statements.

Under IAS 8, the Group must report any changes that it has implemented during the current accounting period and state what impact they have had on the annual financial statements.

AMENDMENTS TO STANDARDS AND INTERPRETATIONS APPROVED BY THE EU
IAS 1 Presentation of Financial Statements and Practice Statement 2 Making Materiality Judgements
 Clarifies which accounting principles shall be disclosed in the annual financial statements.

Materiality judgements relating to information about accounting policies shall be made in the same way as other materiality judgements. This is also clarified through the amendments to the "Practice Statement 2".

The amendments are designed to help preparers of financial statements to decide which accounting policies the entity must disclose in its annual financial statements. There is now a requirement to

provide information about material accounting policies, as opposed to significant accounting policies previously. Explanations have been added setting out how entities can identify material accounting policies. An accounting policy may be material if users of the financial statements would need information about the policy to understand other material information in the financial statements. The amendment stresses that if the notes include information about immaterial accounting policies, this shall not obscure the material accounting policies from readers. Material accounting policies must therefore be presented clearly and in such a way that they are evident to readers.

There were no other changes to standards and/or interpretations that were relevant to the Group in 2023.

Estimates

When preparing the consolidated financial statements, certain estimates and assumptions are made that affect the impact of the accounting principles and hence the reported amounts. Note 2 sets out significant estimates and assumptions in greater detail.

CONSOLIDATION PRINCIPLES

The consolidated financial statements include the parent company Sparebanken Sogn og Fjordane and its subsidiaries and associates. The consolidated financial statements have been prepared as if the Group were a single financial entity. For the purposes of consolidation, identical accounting principles have been used for all of the companies included in the consolidated financial statements.

All major intragroup transactions and balances, including unrealised profits and losses on intragroup transactions, have been eliminated in the consolidated financial statements.

SUBSIDIARIES AND ASSOCIATES

Subsidiaries are defined as companies in which Sparebanken Sogn og Fjordane has a controlling stake through direct or indirect shareholdings or for other reasons, and owns more than 50 percent of the voting share capital. Normally Sparebanken Sogn og Fjordane assumes that it has a controlling stake if it owns more than 50 percent of another company, but the Bank also assesses whether it actually has a controlling stake in practice. A subsidiary is consolidated from the date on which the Bank acquired control of it. Subsidiaries that are disposed of are fully consolidated until the date on which risk and control are transferred.

The following companies satisfy our criteria for subsidiaries:

Company	Shareholding and share of voting rights
Bustadkreditt Sogn og Fjordane AS	100 %
Bankeigedom Sogn og Fjordane AS	100 %
Eigedomsmekling Sogn og Fjordane AS	100 %

Associates are companies over which Sparebanken Sogn og Fjordane wields significant influence, i.e. where it can influence the company's financial and operational guidelines, but over which it does not have control or joint control. Sparebanken Sogn og Fjordane assumes that it exercises significant influence over companies in which it has a shareholding of between 20 and 50 percent. Associates are accounted for using the equity method in the consolidated financial statements.

The companies that satisfy our criteria for associates are:

Company	Shareholding and share of voting rights
Fjord Invest AS	45,3 %

Investments in subsidiaries and associates are included in the company accounts using the cost method.

In accordance with IFRS 10, an assessment must be made as to whether the Group's actual control is greater than its ownership interest in the company would imply. This assessment has been made, and the conclusion is that it is not.

BUSINESS COMBINATIONS

Entities purchased by the Bank are accounted for using the acquisition method. The cost at the time of the acquisition is calculated as the fair value of the assets acquired, equity instruments issued and liabilities taken over.

Identifiable assets and liabilities acquired are measured at their acquisition date fair value. Any cost over and above the fair value of the Group's share of the assets acquired is recorded as goodwill.

Goodwill is tested for impairment annually, or more frequently if there is evidence to suggest that it has fallen in value. If the purchase price is lower than the fair value of the identifiable assets and liabilities, the difference is recognised as income on the transaction date.

CURRENCY

The Norwegian krone (NOK) is the functional currency of the parent company and of all of the subsidiaries in the Group. The Group's financial statements are also presented in NOK. On the balance sheet date, cash items in foreign currency

are translated using the exchange rate on the balance sheet date, non-cash items are translated using the historical exchange rate on the transaction date and non-cash items, measured at fair value, are calculated using the exchange rate on the date on which their value was calculated.

Foreign currency transactions are translated using the exchange rate on the transaction date. Changes in value resulting from exchange rate fluctuations between the transaction date and the payment date are recognised in the income statement.

FINANCIAL INSTRUMENTS

A financial instrument is a contract that gives rise to a financial asset of one enterprise and a financial obligation or an equity instrument of another enterprise.

Classification and measurement under "IFRS 9 Financial Instruments"

Classification is based on whether the instruments are held within a business model whose object is both to collect the contractual cash flows and sell the instrument, and on whether the contractual cash flows are solely payments of principal and interest on fixed dates.

Financial assets are classified in one of the following categories:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments where the other comprehensive income option has been exercised, and which are measured at fair value through other comprehensive income without recycling

Financial assets measured at amortised cost

The Group measures financial assets at amortised cost if the following criteria are met:

- The financial asset is part of a business model whose objective is to collect contractual cash flows, and
- The contractual terms of the financial asset give rise to cash flows that solely consist of payments of principal and interest on fixed dates

Subsequent valuations of financial assets measured at amortised cost are based on the effective interest rate method and the assets are tested for impairment. Gains and losses are recognised in the income statement if the asset is derecognised, modified or impaired.

The Group's assets measured at amortised cost include loans and deposits held at other banks.

Financial assets measured at fair value through other comprehensive income (FVOCI)

The Group measures debt instruments at fair value through other comprehensive income if the following criteria are met:

- The financial asset is part of a business model whose objective is both to collect contractual cash flows and sell the asset,
- The contractual terms of the financial asset give rise to cash flows that solely consist of payments of principal and interest on fixed dates

Debt instruments measured at fair value through other comprehensive income, interest income, exchange differences, and loss allowances and reversals thereof are recognised in the income statement and estimated in the same way as financial assets measured at amortised cost. All other changes in fair value are recognised under other income and expenses. Upon derecognition, cumulative changes in fair value recognised under other income and expenses are transferred to the income statement.

The Group does not use this category, but it is used by the parent company for loans that can be sold to its subsidiary Bustadkreditt Sogn og Fjordane.

Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)

The following instruments are included in this measurement category:

- Derivatives measured at fair value through profit or loss
- Equity instruments, as a general rule
- Debt instruments held within a business model whose objective involves collecting contractual cash flows from interest, fees and capital, as well as short-term trading of the instruments in the portfolio in order to make a profit

Sparebanken Sogn og Fjordane uses this category for fixed-rate loans to customers, commercial paper and bonds, shares and derivatives. The interest rates on fixed-rate loans are generally hedged with derivatives or fixed-rate bonds, which are measured at fair value. To avoid an accounting mismatch the fixed-rate loans are also measured at fair value.

Derecognition of financial assets

A financial asset is derecognised if:

- The contractual rights to the cash flows from the financial asset expire, or
- The Group has either transferred the contractual rights to the cash flows from the financial asset, or retained the rights to the cash flows from the asset while assuming an obligation to pay the cash flows received from the asset to another party; and either

- a. The Group has transferred substantially all of the risks and rewards of ownership of the asset, or
- b. The Group has neither transferred nor retained substantially all of the risks and rewards of ownership of the asset, but has transferred control of the asset

Financial liabilities

Financial liabilities are classified in one of the following categories:

- Financial liabilities measured at amortised cost
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)

Financial liabilities measured at amortised cost

Sparebanken Sogn og Fjordane uses this category for liabilities to credit institutions, deposits from and debt to customers, most of the interest-bearing debt securities that it has issued and other financial liabilities.

Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)

The following instruments are included in this measurement category:

- Derivatives measured at fair value through profit or loss
- Equity instruments, as a general rule
- Debt instruments held within a business model whose objective involves collecting contractual cash flows from interest, fees and capital, as well as short-term trading of the instruments in the portfolio in order to make a profit

Sparebanken Sogn og Fjordane uses this category for fixed-rate customer deposits and derivatives.

Further details about financial liabilities

On initial recognition, financial liabilities are classified as either borrowings and other liabilities, or as derivatives designated as hedging instruments in an effective hedge. On initial recognition, derivatives are measured at fair value. Borrowings and other liabilities are measured at fair value adjusted for transaction costs that are directly attributable to them.

Derivatives are considered financial liabilities if their fair value is negative, and for accounting purposes they are treated in an equivalent manner to derivatives that are assets.

Borrowings and other liabilities

After initial recognition, interest-bearing loans are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liability is derecognised. Amortised cost is calculated by taking into account any transaction costs, and any costs and fees that are an integral part of the effective

interest. Effective interest is presented in the income statement under interest expenses.

Other liabilities are measured at face value if the effect of discounting is immaterial.

Derecognition of financial liabilities

A financial liability is derecognised if the liability is redeemed, cancelled or expires. If an existing financial liability is replaced by a new financial liability issued by the same lender on significantly different terms, or the terms of an existing liability are significantly modified, the original liability is derecognised and the new liability is recognised. The difference in the carrying amount is recognised in the income statement.

Recognition and derecognition

Assets and liabilities are recognised from the date on which the contractual rights to receive cash flows from the financial assets are transferred to the Group, or on which the Group takes on real liabilities to pay cash flows. Initial recognition is at fair value. Financial instruments are normally initially recognised at the transaction price. After initial recognition, financial instruments are measured as described below under "Valuation".

Assets are derecognised from the date on which substantially all risks and rewards of ownership of the financial assets have been transferred to another party.

When a financial asset is transferred, an evaluation shall be made of the extent to which the entity will retain the risks and rewards of ownership of the financial asset. In this case:

- a) If substantially all the risks and rewards of ownership of the financial asset are transferred to another party, the entity shall derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created by the transfer.
- b) If the entity retains substantially all the risks and rewards of ownership of the financial asset, the entity shall continue to recognise the financial asset.
- c) If the entity neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the entity shall determine whether it has retained control of the asset. In this case:
 - If the entity has not retained control of the financial asset, it shall derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer
 - If the entity has retained control of the financial asset, it shall continue to recognise the financial asset to the extent of its continuing involvement in the financial asset

Valuation

Definition of fair value

Fair value is defined as the amount that an asset or liability can be sold for in a transaction between independent parties. The valuation methods that we use to calculate fair value depend on the type of financial instrument and on whether or not it is traded in an active market. Instruments are included in one of three valuation categories depending on the kind of information on which the valuation is based. (For definitions of levels 1, 2 and 3, see Note 28.)

Instruments that are traded in an active market

A market is considered active if it is possible to find external prices or rates, and these prices represent actual and frequent market transactions. For instruments that are traded in an active market, we use the listed price obtained from a stock exchange, broker or price-setting firm.

Instruments traded in an active market include financial instruments that are listed on a stock exchange or that are quoted on some other market, such as shares, bonds and commercial paper. They also include financial derivatives that are based on underlying quoted or stock exchange listed prices/indexes/instruments.

Instruments that are not traded in an active market

Financial instruments that are not traded in an active market are valued using various different valuation techniques that make use of market data. If no market data or quoted prices are available, we use our own valuation techniques.

Equity investments in shares and ownership interests that are traded in inactive markets are valued at fair value based on the following criteria:

- Price at the time of the last capital increase or last trade between independent parties, adjusted for changes in the market conditions since the capital increase/trade.
- Fair value based on anticipated future cash flows from the investment.

The fair value of the portfolio of fixed interest loans is calculated as the value of the expected cash flows discounted by a market interest rate based on an internal pricing model (further details in Note 2).

Definition of amortised cost

Financial instruments that are not valued at fair value are valued at amortised cost, and income is calculated using the effective interest rate method. This is calculated by discounting contractual cash flows over the anticipated term to maturity. Cash flows include arrangement fees, direct transaction costs that are not covered by the customer and any residual value when the anticipated term to maturity

expires. The amortised cost is the present value of these cash flows discounted by the effective interest rate.

Impairment model

The impairment model for financial instruments in IFRS 9 is based on the principle that provisions should be made for expected credit losses. That requires us to estimate future credit losses regardless of whether or not there is objective evidence of a loss event.

The impairment model in IFRS 9 applies to financial assets that are debt instruments. It also covers undrawn credit facilities. See Note 12 for an explanation of the impairment model.

Recognition of losses

A loss shall be recognised (i.e. recorded against the customer) when all collateral has been sold and it is not expected that the bank will receive further payments with respect to the asset. The claim against the customer shall still be pursued after a loss has been recognised, unless an agreement to cancel the debt has been reached with the customer.

PRESENTATION ON THE BALANCE SHEET AND IN THE INCOME STATEMENT

Cash and receivables from Norges Bank

Cash is defined as cash and receivables from Norges Bank.

Loans

Depending on the counterparty, loans are included on the balance sheet as loans and advances to credit institutions, loans to customers measured at amortised cost, loans to customers measured at fair value or loans to customers through other comprehensive income (OCI). To simplify the balance sheet, all loans to customers are presented jointly on a single line, with the breakdown by category being presented in a note to the financial statements.

Interest income from financial instruments classified as loans is included under "Net interest income" using the effective interest rate method. The effective interest rate method is described under "Amortised cost method".

Changes in the fair value of loans measured at amortised cost and loans measured at fair value are included under "Impairment loss". Any portion of the change in the value of fixed-rate loans attributable to changes in interest rate levels is included under "Net gains/losses on financial instruments".

Commercial paper and bonds

Commercial paper and bonds are managed and evaluated within a business model whose objective involves collecting contractual cash flows from interest, fees and capital, as well as short-term trading of the instruments in the portfolio in order to make a profit.

Interest income and expenses on commercial paper and bonds are included under "Net interest income" using the effective interest rate method. This method is described in the paragraph on amortised cost.

Other changes in value are included under "Net gains/losses on financial instruments".

Shares

Shares measured at fair value through profit or loss

Shares measured at fair value through profit or loss include shares, equity certificates and equity funds that have been acquired with the intention of subsequently selling them at a profit. Most of the Group's portfolio of shares consists of long-term, strategic investments. Changes in the value of shares are included under "Net gains/losses on financial instruments".

Financial derivatives

A derivative is a financial instrument with the following characteristics:

- The value of the instrument changes as a result of changes to the interest rate, value or price of an underlying asset
- The instrument requires little or no investment at its inception
- The instrument is settled at a future date

Derivatives are initially recognised at their fair value on the date on which the contract was signed, and subsequently at fair value.

Financial derivatives are presented as an asset if they have a positive value and as a liability if they have a negative value. Assets and liabilities are offset against one another if the Bank has a binding contract with its counterparty stating that they will be offset, and if the Bank intends to sell the assets and redeem the liabilities at the same time.

Interest payments on financial derivatives are included under "Net interest income" using the effective interest rate method. This method is explained in the paragraph on amortised cost. Other changes in value are included under "Net gains/losses on financial instruments".

Debt to credit institutions and customer deposits

Debt to credit institutions and customers is recorded, depending on the counterparty, as either "Debt to credit institutions", "Customer deposits

measured at amortised cost” or “Customer deposits measured at fair value”. Interest expenses on these instruments are included under “Net interest income” using the effective interest rate method. Other changes in value are included under “Net gains/losses on financial instruments”.

To simplify the balance sheet, all customer deposits are presented jointly on a single line, with a more detailed breakdown in a note to the financial statements.

Debt securities in issue

Debt securities in issue include commercial paper and bonds, and they are measured either at amortised cost or at fair value through profit or loss. To simplify the balance sheet, all debt securities in issue are presented jointly on a single line, with a more detailed breakdown in a note to the financial statements.

Interest expenses on these instruments are included under “Net interest income” using the effect interest rate method. Other changes in value are included under “Net gains/losses on financial instruments”.

Subordinated debt

Subordinated debt includes subordinated debt instruments issued by the Bank and is measured at amortised cost. Interest expenses on these instruments are included under “Net interest income” using the effect interest rate method. Other changes in value are included under “Net gains/losses on financial instruments”.

LEASES

IFRS 16 Leases

IFRS 16 sets out principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The standard requires a lessee to recognise assets and liabilities for most of its leases.

The lessor shall classify their leases as either operating leases or finance leases, and account for those two types of leases differently.

The Group has recognised its assets and liabilities related to leases and has recorded all relevant leases in a dedicated system. The length of the leases determines the associated assets and liabilities.

The leases involved are mainly leases with fixed expenses such as rental agreements and a small number of car leases.

The lease liability has been calculated by discounting future lease payments using the interest rate implicit in the lease. When discounting lease payments, the effective interest rate used is an estimate of the

expected marginal borrowing rate. This interest rate will normally change over time, and the up-to-date interest rate shall be used for new leases, if the term of the lease changes or in the event of other changes to existing leases.

At each interim report, we take into account any changes to leases and if necessary recalculate the liabilities and assets.

FIXED ASSETS

Tangible assets are valued at their acquisition cost including direct costs, less accumulated depreciation and impairment losses. When assets are sold or disposed of, the acquisition cost and accumulated depreciation are written back, and the gain or loss on the sale/disposal is recognised in the income statement. The historical cost of fixed assets is the purchase price, including taxes/charges and costs directly related to preparing the asset for use. Costs that accrue after the fixed asset has been taken into operation, repairs and maintenance, are charged as expenses. If necessary, individual fixed assets are split into components with different useful lives.

Sites are not depreciated. Based on their historical cost, less any residual values, other fixed assets are depreciated using the straight line method over their anticipated useful lives, which are as follows:

Buildings	”	30-50 years
Fixtures, fittings and furnishings		7-10 years
Vehicles		5 years
Office equipment		5 years
IT equipment		3-5 years

INTANGIBLE ASSETS

IT systems and software

Software purchased is carried on the balance sheet at its cost plus any expenses involved in preparing the software for use. Identifiable expenses related to in-house software, and where it can be demonstrated that the probable future economic benefits will cover the development cost, are capitalised as intangible assets. Direct expenses include the cost of staff directly involved in developing the software, office equipment and a share of the relevant administration expenses. Expenses related to the maintenance of software and IT systems are expensed directly in the income statement. Capitalised software investments are depreciated over their anticipated useful life, which is normally three years. Any need for impairment is assessed using the same principles as set out in the previous section.

Goodwill

Goodwill arises through the acquisition of other companies, and represents excess value over and above identifiable assets and liabilities. Any such excess value is tested for impairment for each interim report.

TESTING FOR IMPAIRMENT

For each interim report, an assessment is made as to whether there is any evidence that any tangible or intangible assets have fallen in value. If such evidence exists, the recoverable amount is calculated. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. If the carrying amount is higher than the estimated recoverable amount, the carrying amount is written down to the recoverable amount.

PENSIONS

Defined contribution schemes

With a defined contribution scheme, the Group does not promise to pay a specific amount as a future pension benefit, and instead makes an annual contribution to a group pension scheme. The future pension benefit payable will depend on the size of the contribution and the annual return on the pension fund. The Group's only responsibility in relation to this pension scheme is to make the annual contribution. With a defined contribution scheme, there is no need to make a provision for accrued pension liabilities. Contributions to defined contribution schemes are expensed immediately in the relevant reporting period.

The pension expense for the year is reported on the income statement under "Wages, salaries, etc.". For further information about our pension schemes, see Note 25.

TAX EXPENSE

Deferred tax liabilities and assets are reported on the balance sheet in accordance with "IAS 12 Deferred tax".

The tax expense stated in the income statement includes both tax payable on income and assets, and changes to deferred tax for the financial period. The parent company's deferred tax/deferred tax assets are calculated by applying a 25% tax rate to temporary differences that exist between accounting and taxable values at the close of the year. For subsidiaries, a 22% tax rate is used to calculate deferred tax liabilities/assets. Deferred tax is calculated using the tax rates and regulations that apply on the balance sheet date, or that are likely to be adopted and will apply when the deferred tax asset is realised or the deferred tax liability becomes payable. Deferred tax assets are included on the balance sheet on the assumption that the Bank will have taxable income in future years. Deferred tax liabilities and assets within the Group are offset against one another, and only the net liability or asset is included on the balance sheet.

Tax payable and deferred tax are charged to equity if the tax relates to items that in the current or previous periods have been recognised in comprehensive income/equity.

Single entity for tax purposes

The parent company and subsidiaries in which the parent company holds more than nine tenths of the shares, and has an equivalent share of the votes at AGMs, are treated as a single entity for tax purposes.

ACCRUAL OF INTEREST AND FEES

Interest and commissions are recognised in the income statement as they accrue as income or expenses.

Unrealised and realised gains and losses on interest rate swaps are presented under "Net gains/losses on financial instruments". Interest rate swaps are used as economic hedges and the rules for hedge accounting are also used.

Arrangement fees for loans are included in the cash flow when calculating the amortised cost, and are taken to income under "Net interest income" using the effective interest rate method. Set-up fees for financial guarantees are included in the valuations of the guarantees, and are taken to income under "Net gains/losses on financial instruments".

For any debt repurchase at a discount/premium, the gain/loss is recognised at the time of the repurchase under "Net gains/losses on financial instruments".

REVENUE RECOGNITION

Interest income is recognised in the income statement using the effective interest rate method. This involves taking arising nominal interest plus amortised set-up fees to income. Interest income is calculated using the effective interest rate method both for balance sheet items measured at amortised cost and for ones measured at fair value through profit or loss. Interest income on impaired loans is calculated at the effective interest rate on the carrying amount.

All charges relating to payment transactions are recognised as they arise. Fees and charges arising from the sale and marketing of shares, equity funds and properties that do not give rise to any asset or liability on the balance sheet are recognised when the trade is completed. Broker commission is recognised once there is a binding agreement between the buyer and seller, which in practice means when a bid is accepted. Customer trading of financial instruments that generates revenues in the form of spreads and commission is recognised when the trade is executed. Dividends from shares are recognised when they have been definitively adopted.

RESTRUCTURING

If restructuring plans have been adopted that will affect the extent or nature of our business, an assessment is made of the need for any provisions for restructuring measures. If restructuring costs will not lead to higher income in subsequent periods, and the future expenses are definite obligations on the balance sheet date, a provision is made on the balance sheet for the net present value of expected future cash flows. This provision is reversed as the expenses are incurred.

CASH FLOW STATEMENT

The indirect method is used to produce the cash flow statement. This is then adjusted for the impact of non-cash transactions, the accrual of future receipts or payments related to operating activities, and revenues or expenses associated with cash flows arising from investing or financing activities.

EQUITY

Equity is made up of equity share capital, primary capital, hybrid capital, a reserve for unrealised gains and other equity. The equity share capital consists of equity certificates and the dividend equalisation reserve. The primary capital consists of primary capital certificates, the compensation reserve and any gift fund. The reserve for unrealised gains relates to changes in the value of financial instruments where there is a discrepancy between the measurement methods used under IFRS and NGAAP. Proposed gifts and dividends are classified as equity until they have been adopted by the Annual General Meeting.

Hybrid capital

Hybrid capital is considered equity and consists of hybrid debt issued by the Bank that meets the criteria for being defined as equity and core capital under rules for calculating capital adequacy. Hybrid debt is perpetual, which means that the holders cannot demand that it be redeemed. Interest on the hybrid capital is recognised directly in equity and is split between the dividend equalisation reserve and compensation reserve in proportion to the ownership ratio. In accordance with "IAS 12 Income Taxes", the tax consequences of interest payments on hybrid capital are recognised in the income statement as a reduction in the tax expense.

HEDGE ACCOUNTING

The Group uses hedge accounting for selected fixed-rate bonds issued by the Group and derivatives designed to protect against fluctuations in the value of the bonds in question.

The hedged items (the fixed-rate bonds) are measured at fair value through "Net gains/losses on financial instruments" and the hedging instruments (the derivatives) are measured at fair value through "Net gains/losses on financial instruments".

Amongst other things, IFRS 9 requires the hedged items and hedging instruments to be formally designated as such, and there must be a close economic relationship between the hedged items and the hedging instruments. It must also be possible to reliably measure the hedge and it must be effective. If the hedge no longer fulfils the hedge effectiveness requirement, hedge accounting shall be discontinued and the resulting adjustment shall be amortised through profit or loss. The amortisation shall be based on the recalculated effective interest rate at the date amortisation begins.

Gains or losses on hedging instruments are recognised in the income statement under "Net gains/losses on financial instruments". Gains or losses on hedged items are considered an adjustment to the carrying amount of the hedged item and are recognised in the income statement under "Net gains/losses on financial instruments".

POST BALANCE SHEET EVENTS

Post balance sheet events shall be reported in accordance with IAS 10. Events that are not covered by the financial statements, but that are material to any evaluation of the company's operations and/or its financial position, shall be disclosed.

ADOPTED ACCOUNTING STANDARDS AND OTHER CHANGES THAT MAY AFFECT FUTURE FINANCIAL REPORTING

Relevant standards and interpretations that have been adopted prior to the presentation of the consolidated financial statements, but that will be implemented at a later date, are listed below. The Group intends to implement relevant changes as and when they come into force, provided that the EU approves them before the financial statements are prepared.

No changes have been adopted that will have a significant impact on the financial statements.

Note 2 Critical accounting estimates and judgements

The Group continuously makes various estimates and judgements, which are based on past experience and expectations of probable future events. Accounting estimates produced on the basis of this rarely entirely correspond with what actually happens. Estimates that represent a significant risk of large changes to balance sheet values are discussed below.

Fair value of financial derivatives and other financial instruments

For securities that are not listed and for which there is not an active market, the Group uses valuation techniques to determine their fair value. The Group makes its assessments and uses methods and assumptions which, in so far as possible, are based on market conditions on the balance sheet date.

Interest-bearing securities

To value bonds and commercial paper, we obtain valuations from Nordic Bond Pricing.

Shares

The valuation of unlisted shares is based on the most recent transaction price or valuation models. Shares for which there is no recent transaction price are valued based on available financial information and the prices of comparable shares where relevant.

Interest rate derivatives

Interest rate derivatives are valued using discounted cash flows based on the swap rate at the reporting date.

Fixed-rate loans and fixed-rate deposits

The value of fixed-rate loans and deposits is calculated as the net present value of their future cash flows. For fixed-rate loans to retail customers and for all fixed-rate deposits, we use a yield curve, which is derived from the average interest rates on fixed-rate products offered by competing banks, to represent the market rate, while for loans to the corporate sector we calculate the cost of alternative sources of financing for the Bank on the reporting date, and then add the appropriate margin for the customer in question.

Also see Note 28 "Fair value of financial instruments".

Expected credit losses

The parent company has transferred mortgage loans to its subsidiary Bustadkreditt Sogn og Fjordane. A number of agreements govern the relationship between the two parties. These agreements transfer the credit risk and entitlement to interest income from the parent company to the subsidiary. The loans have therefore been derecognised from

the parent company's accounts. Also see Note 43 "Related parties".

Expected credit losses

There is a detailed explanation of the loan impairment model under IFRS 9 in Note 12 "Explanation of impairment model under IFRS 9". The method for calculating expected credit losses (ECLs) is based on estimates of the probability of default (PD), loss given default (LGD) and exposure at default (EAD), for all loans and undrawn credit facilities. There are uncertainties associated with estimating ECLs, particularly in relation to the PD, but also the LGD and EAD.

Uncertainties

Measuring expected credit losses is a complex process, and in the case of several of the assumptions used as inputs, the management must exercise its professional judgement.

For assets where a model is used to calculate ECLs, the main uncertainties relate to estimating PD, LGD and EAD. For assets in Stage 3, where expected credit losses are measured individually, judgement is involved in the assumptions used to estimate future cash flows and value collateral.

Other areas involving uncertainty include the choice of various future economic scenarios (including their weighting), assessing significant increases in credit risk and determining whether the criteria for default/impairment have been met.

Stranded assets

Stranded assets are defined as assets that will have less or no value before the end of their useful lives due to changes in the external business environment. This includes changes in technology, regulations, markets and behaviour. The risk of this kind of impairment is taken into account when determining the market value of collateral. The risk of writedowns of key items of collateral is compensated for through shorter terms for those kinds of loans. The Bank judges that only a very small proportion of its portfolio falls within this category.

The risk of stranded assets within the mortgage portfolio as a result of physical climate risk has also been assessed. Physical climate risk may negatively affect house prices. For example, the risk of landslides or flooding may increase the risk of damage and make it difficult to sell a property. Although our portfolio is exposed to physical climate risk, in our opinion it is primarily an insurance risk as the homes are insured and are covered by the various insurance companies' natural disaster pool.

Our overall judgement is that no additional impairments are needed for the risk of stranded assets.

Macroeconomic scenarios

ECLs should be calculated by weighting several macroeconomic scenarios. The Company has chosen three future macroeconomic scenarios: a base scenario with a 50% weighting, and one pessimistic and one optimistic scenario each with a 25% weighting. Expected credit losses are weighted based on the outcomes of the three scenarios.

The relationship between the macroeconomic parameters and the PD used to be based on a model developed by the Norwegian Computing Centre, which used future interest rates and unemployment to estimate future default rates for retail banking customers. Due to the unusual macroeconomic situation in which we find ourselves at the moment, the model is not sufficiently good at predicting the future probability of default. We have therefore used internal expert judgements to assess what is likely to happen to the probability of default over the coming five years, based on the impacts of past crises and projections in Norges Bank's monetary policy report.

Adjustments have also been made to the probability of default for all customers in certain industries. This is explained in greater detail in Note 12.

For more information about the scenarios, and their impact on impairment losses, also see Note 16.

Definition of default and debt relief

Retail loans and residential mortgage loans

An account is considered in default if the account is more than 90 days past due and the amount overdue is material. If an account is in default, all of the customer's other accounts in the same product group are also considered in default.

A customer is considered in default if the customer has an account in default that represents over 20% of the total exposure to the customer, or if there is an indication of unlikelihood to pay unless the collateral is realised).

The definition of retail loans is based on the definitions in the Basel regulations.

Other advances

A customer is considered in default if at least one of their accounts is more than 90 days past due and the amount overdue is material, or if there is an indication of unlikelihood to pay unless the collateral is realised.

The following may be indications of unlikelihood to pay:

- An individually assessed allowance has been made for the customer
- Insolvency/Bankruptcy
- Debt restructuring
- Debt restructuring/relief that reduces the value of the asset by more than 1%
- Realisation of the collateral
- Expectation of insolvency/bankruptcy or payment default

A customer, or account, in payment default has a probation period of at least 3 months.

A customer, or account, in payment default has a probation period of at least 12 months in the event of restructuring.

Assets in default shall be considered equivalent to credit-impaired assets as defined in IFRS 9.

Age analysis of payment defaults

Retail loans and residential mortgage loans

Accounts are considered to be in payment default when they are past due or overdrawn by an amount of at least NOK 1,000 and by at least 1% of the customer's total balance. If an account is in payment default, all of the customer's other accounts in the same product group are also considered in payment default. If an account that is in payment default represents over 20% of the total exposure to the customer, all of the customer's other accounts are considered in payment default.

Other advances

Customers are considered in payment default when at least one of their accounts is past due or overdrawn by an amount of at least NOK 2,000 and by at least 1% of the customer's total balance.

The number of days that a customer is considered to have been in payment default is determined by the account that has been past due for longest.

Debt relief

Debt relief refers to changes to the agreed terms and conditions granted as a result of a customer having difficulty meeting their payment obligations that would not have been granted if the customer were in a stronger financial position. An account that is not in default, but which has been granted debt relief, will be put in stage 2, whereas an account with debt relief that is in default will be allocated to stage 3.

Note 3 Classification of financial instruments

CONSOLIDATED	Fair value through profit or loss	Fair value through profit or loss (fair value option)	Fair value through OCI	Amortised cost	Hedge accounting	Total
31.12.23						
ASSETS						
Cash and cash equivalents	0	0	0	18	0	18
Loans and advances to credit institutions/central banks	0	0	0	534	0	534
Loans to customers	0	3 393	0	60 577	0	63 970
Commercial paper and bonds	0	7 627	0	0	0	7 627
Financial derivatives	359	0	0	0	54	413
Shares	734	0	0	0	0	734
Total	1 093	11 020	0	61 129	54	73 297
LIABILITIES						
Debt to credit institutions	0	0	0	502	0	502
Deposits from and debt to customers	0	3 469	0	32 327	0	35 796
Debt securities in issue	0	3 288	0	19 965	4 787	28 040
Financial derivatives	287	0	0	0	328	614
Subordinated debt instruments	0	0	0	705	0	705
Total	287	6 757	0	53 500	5 114	65 658

PARENT COMPANY	Fair value through profit or loss	Fair value through profit or loss (fair value option)	Fair value through OCI	Amortised cost	Hedge accounting	Total
31.12.23						
ASSETS						
Cash and cash equivalents	0	0	0	18	0	18
Loans and advances to credit institutions/central banks	0	0	0	3 140	0	3 140
Loans to customers	0	3 393	17 770	17 725	0	38 888
Commercial paper and bonds	0	7 194	0	0	0	7 194
Financial derivatives	741	0	0	0	0	741
Shares	734	0	0	0	0	734
Total	1 475	10 587	17 770	20 883	0	50 715
LIABILITIES						
Debt to credit institutions	0	0	0	731	0	731
Deposits from and debt to customers	0	3 469	0	32 358	0	35 827
Debt securities in issue	0	3 288	0	4 231	0	7 519
Financial derivatives	669	0	0	0	0	669
Subordinated debt instruments	0	0	0	705	0	705
Total	669	6 757	0	38 026	0	45 451

Note 3 Classification of financial instruments (cont.)

CONSOLIDATED

	Fair value through profit or loss	Fair value through profit or loss (fair value option)	Fair value through OCI	Amortised cost	Hedge accounting	Total
31.12.22						
ASSETS						
Cash and cash equivalents	0	0	0	19	0	19
Loans and advances to credit institutions/central banks	0	0	0	714	0	714
Loans to customers	0	3 685	0	57 499	0	61 184
Commercial paper and bonds	0	7 467	0	0	0	7 467
Financial derivatives	307	0	0	0	69	375
Shares	758	0	0	0	0	758
Total	1 065	11 152	0	58 232	69	70 517
LIABILITIES						
Debt to credit institutions	0	0	0	504	0	504
Deposits from and debt to customers	0	1 507	0	33 339	0	34 846
Debt securities in issue	0	2 467	0	19 918	4 784	27 169
Financial derivatives	271	0	0	0	341	612
Subordinated debt instruments	0	0	0	603	0	603
Total	271	3 974	0	54 364	5 125	63 734

PARENT COMPANY

	Fair value through profit or loss	Fair value through profit or loss (fair value option)	Fair value through OCI	Amortised cost	Hedge accounting	Total
31.12.22						
ASSETS						
Cash and cash equivalents	0	0	0	19	0	19
Loans and advances to credit institutions/central banks	0	0	0	5 032	0	5 032
Loans to customers	0	3 685	13 542	16 046	0	33 272
Commercial paper and bonds	0	7 259	0	0	0	7 259
Financial derivatives	716	0	0	0	0	716
Shares	758	0	0	0	0	758
Total	1 474	10 944	13 542	21 097	0	47 057
LIABILITIES						
Debt to credit institutions	0	0	0	640	0	640
Deposits from and debt to customers	0	1 507	0	33 363	0	34 870
Debt securities in issue	0	2 467	0	3 349	0	5 817
Financial derivatives	680	0	0	0	0	680
Subordinated debt instruments	0	0	0	603	0	603
Total	680	3 974	0	37 955	0	42 610

Note 4 Segment reporting

Geographic segments

All of the segments operate in Norway.

General information about segments

Segments reflect the organisational structure of the Group.

Finance

- Responsible for financing and for managing liquidity

Corporate banking market/public sector/financial sector

- Offers a wide range of financial products and services, such as various types of financing, deposits, investments, insurances, foreign currency services and interest rate instruments to small and medium-sized enterprises, the public sector and financial sector

Retail market including Bustadkreditt

- Offers a wide range of financial products and services, such as various types of financing, deposits, investments, insurances, foreign currency services and interest rate instruments to retail customers

Other

- Includes the supply of services to Sparebankstiftinga Sogn og Fjordane and managing various properties

Estate agency

- Offers estate agency services in conjunction with the purchase and sale of properties

Property management

- Manages the Group's largest properties

	Total for group	Finance	Corp. Market/ PS/FS	Retail market including Bustad- kreditt	Other	Estate agency	Pro- perty man- age- ment	Elimina- tions
2023 INCOME STATEMENT								
Net interest income and credit commissions	1 466	3	592	872	- 1	1	0	0
Net other operating income	201	13	64	102	4	31	8	- 21
Total operating income	1 667	15	656	974	3	32	8	- 21
Operating expenses	546	16	167	339	12	30	2	- 21
Profit/loss before impairment loss	1 121	0	489	635	- 9	1	6	0
Net gain on fixed assets	0	0	0	0	0	0	0	0
Impairment loss	13	0	- 16	29	0	0	0	0
Profit/loss before taxation	1 108	0	505	606	- 9	1	6	0

BALANCE SHEET AT 31.12.23

Net loans and advances to customers	63 970	0	15 081	48 889	0	0	0	0
Other assets	9 585	9 171	2 196	3 643	0	22	46	- 5 493
Total assets	73 556	9 171	17 277	52 533	0	22	46	- 5 493
Deposits from and debt to customers	35 796	0	14 128	21 699	0	0	0	- 32
Other liabilities	30 444	6 427	265	26 983	0	8	7	- 3 245
Equity (incl. profit/loss for the period)	7 316	2 744	2 884	3 851	0	14	39	- 2 217
Total debt and equity	73 556	9 171	17 277	52 533	0	22	46	- 5 493

Note 4 Segment reporting (cont.)

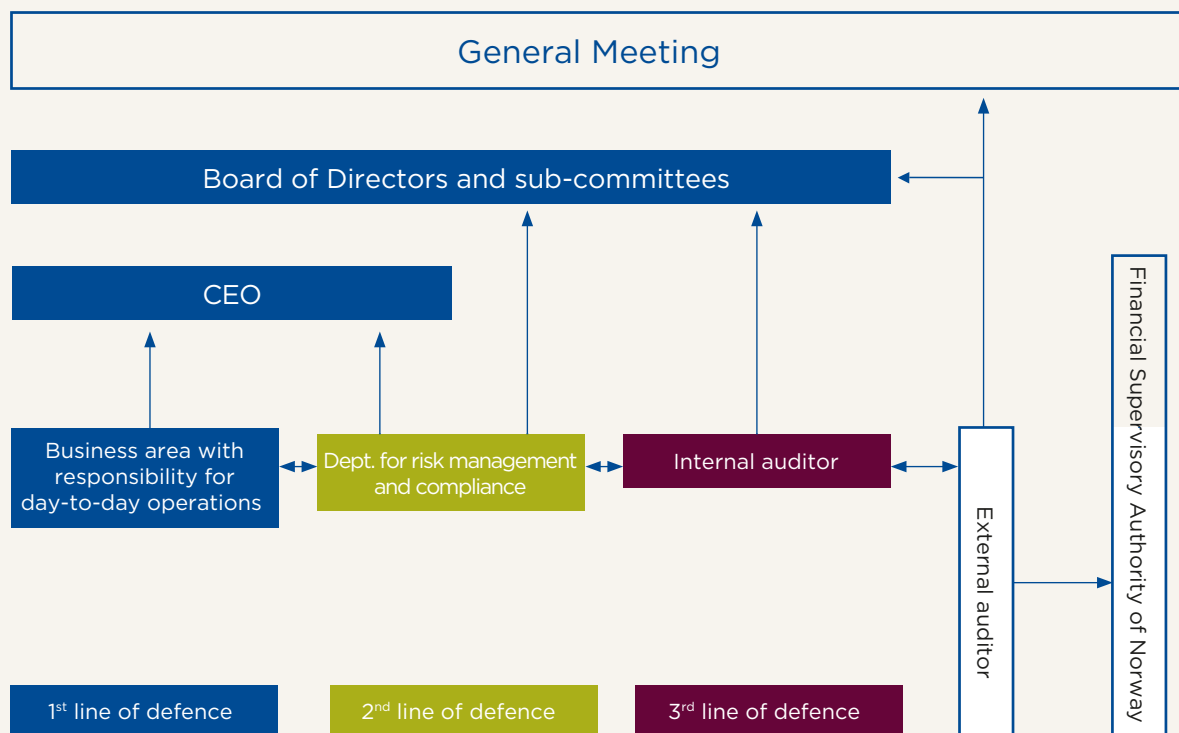
	Total for group	Finance	Corp. Market/ PS/FS	Retail market including Bustad- kreditt	Other	Estate agency	Pro- perty man- age- ment	Elimina- tions
2022 INCOME STATEMENT								
Net interest income and credit commissions	1 148	8	477	662	- 1	0	0	0
Net other operating income	167	- 15	58	100	4	30	8	- 19
Total operating income	1 314	- 6	535	762	4	30	8	- 19
Operating expenses	499	16	152	308	11	33	- 6	- 15
Profit/loss before loan impairment charge	815	- 23	383	455	- 8	- 3	15	- 3
Net gain on fixed assets	0	0	0	0	0	0	0	0
Impairment loss	36	0	19	17	0	0	0	0
Profit/loss before taxation	779	- 23	364	438	- 8	- 3	15	- 3
BALANCE SHEET AT 31.12.22								
Net loans and advances to customers	61 184	0	14 703	46 486	0	0	0	0
Other assets	9 640	10 388	2 106	4 203	0	20	54	- 7 132
Total assets	70 824	10 388	16 809	50 689	0	21	54	- 7 132
Deposits from and debt to customers	34 846	0	14 110	20 760	0	0	0	- 23
Other liabilities	29 332	7 829	219	26 167	0	10	8	- 4 897
Equity (incl. profit/loss for the period)	6 645	2 559	2 480	3 763	0	11	45	- 2 212
Total debt and equity	70 824	10 388	16 809	50 689	0	21	54	- 7 132

Note 5 Risk management

Risk management is the process of identifying, responding to and monitoring the risks that the Bank's operations expose it to. Overall risk exposure shall reflect the Bank's risk profile, and risk management shall help the Bank to achieve its strategic goals. This shall be done by creating a strong business culture with a good understanding of risk management, and with a good appreciation of the risks that could have a major impact on the profitability of the Bank.

ORGANISATIONAL STRUCTURE

The risk management system is based on there being three lines of defence. The lines of defence represent the Bank's model for risk management, risk control and compliance.



The Bank's various business areas, which represent the first *line of defence*, are delegated responsibilities by the CEO. This line of defence also implements risk assessments and risk-reduction measures and controls to ensure that the Bank is operating in accordance with legislation and with internal guidelines and frameworks. One important principle for risk management is that the first line of defence always owns the risks. Both the Board of Directors and the CEO form part of the first line of defence:

Board of Directors

The Board of Directors adopts goals and strategies and is responsible for ensuring that the Bank has effective and adequate risk management systems and internal controls.

The Board has various sub-committees that also play important roles in the risk management process:

The *risk management committee* does the preparations for the Board's work on assessing and supervising the Bank's exposure to risk. The committee makes preparations for the Board's assessment of quarterly risk management reports from the executive management, the annual ICAAP and ILAAP reports, the annual internal control report, the internal auditor's annual report and annual plan and the annual finance strategy and associated limits on risk exposure. The committee prepares items that deal with the monitoring and management of the Bank's individual areas of risk and overall risk, focusing on whether our corporate governance procedures are appropriate for our risk profile and the extent of our business.

The tasks of the *audit committee* include monitoring and assessing the independence of the auditor, assessing and recommending auditors, and reviewing and assessing the Bank's financial reporting. The audit committee reviews the interim and annual financial statements, with a particular focus on accounting principles, critical estimates and judgements including for expected credit losses, and the work of the auditor.

Note 5 Risk management (cont)

The task of the **remuneration committee** is to prepare items relating to remuneration that are to be reviewed by the Board. The committee shall help to ensure that the Bank's remuneration policies, overall goals, risk tolerance and long-term interests are consistent with one another.

CEO

The CEO shall ensure that risk management frameworks, strategies, procedures and guidelines are implemented and communicated throughout the organisation. The CEO is also responsible for ensuring that risk management procedures and internal controls are effective and are documented. Below the CEO, the Bank has created various administrative committees with responsibility for taking decisions about pricing and about the Bank's liquidity, balance sheet and credit management.

The **credit committee** has various tasks relating to the Bank's credit activities. The committee may take decisions on credit applications within the scope of the CEO's authority or by special authorisation from the Board. The committee reviews the register of credit decisions, approves the annual renewal of large credits, takes decisions on impairment, and makes recommendations to the Board on changes to credit policy, credit approval standards and credit strategy. The committee's duties also include approving changes to the credit underwriting guidelines and credit management procedures.

The bank also has a **retail credit committee** for the retail banking market, which takes decisions on credit applications within the scope of the Director of Retail Banking's authority. For applications that go beyond the authority of the Director of Retail Banking, the committee makes a recommendation and passes the matter on to the credit committee.

The **pricing committee** shall ensure that the Bank has a product portfolio that reflects its risk appetite and that will help it to achieve the goals that it has set itself in its top-level strategies. The committee shall also ensure that the portfolio is priced in a way that allows the Bank to meet its target for return on equity. The product structure and pricing of the portfolio shall enable the Bank to compete effectively. The committee is chaired by the CFO.

The **liquidity committee** is an advisory body to the CEO on matters relating to liquidity and funding, as well as managing market risk. The committee shall meet as and when necessary, but at least once a quarter. The committee also discusses matters relating to balance sheet management and capital allocation.

The **risk management and compliance department** is the Bank's **second line of defence**. This department shall ensure that the first line of defence acts in accordance with guidelines and regulations. It shall also write risk and compliance reports for the Board, as well as reporting any breaches of frameworks and guidelines. The head of the department, who is independent from managers with responsibility for taking risk, does not take part in decision-making directly related to the Bank's various business areas. The department reports directly to the CEO, but it also has a direct line of reporting to the Board for situations where the second line of defence considers this necessary or desirable.

The **internal auditor**, who reports to the Board, constitutes the **third line of defence**. The internal auditor shall check that the financial institution is organised and run responsibly and in accordance with the relevant laws and regulations. The Board shall organise and establish guidelines for the internal auditor.

The **external auditor**, who also forms part of the Bank's system for supervision and risk management, performs financial audits. The external auditor is chosen by the Annual General Meeting, on the advice of the audit committee, in accordance with the Financial Institutions Act. Each year, the auditor submits an audit report to the Annual General Meeting, and during the year the auditor meets with the Board. The auditor prepares a "Management Letter" which is presented to the Board. In this letter, the auditor evaluates the Bank's internal controls and identifies possible areas where they should be improved.

Note 5 Risk management (cont)

THE BANK'S AREAS OF RISK

The Bank's operations expose it to various kinds of risks:

Type of risk	Definition
Credit risk	The risk of losing money as a result of a counterparty being unable or unwilling to fulfil their payment obligations to the Bank.
Concentration risk	The risk of losses that arises from lending a high proportion of your capital to individual enterprises or limited geographic regions or industries.
Liquidity risk	The risk that the Bank will be unable to fulfil its obligations and/or finance an increase in assets without significant additional cost, either because it has to realise losses on the sale of assets or because it has to make use of expensive financing.
Market risk	The risk of losses related to unfavourable fluctuations in the market prices of positions in the interest rate, currency and stock markets.
Operational risk	The risk of losses due to human error or defects in the Bank's systems, procedures and processes.
Business risk	The risk of unexpected fluctuations in revenues or expenses for reasons other than credit risk, liquidity risk, market risk and operational risk.
Shareholder risk	The risk of the Bank incurring losses from strategic ownership interests in companies and/or having to inject more capital into such companies.
Systemic risk	The risk of instability in, or in the worst case the collapse of, the financial system.
Cyber risk	The risk of losses due to either problems with technical infrastructure or the use of technology at the company.
Compliance risk	The risk of the Bank failing to fully comply with laws and regulations, and consequently incurring sanctions, financial losses or reputational damage.
Money laundering risk and terrorism financing risk	The risk of the Bank being used for money laundering, i.e. actions that protect the proceeds of criminal activities, by concealing what happens to the proceeds, or who controls them, or by concealing the origins of income or assets. The risk of the Bank being used as a conduit for transferring money to people or groups who intend to carry out terrorist activities.
Climate and sustainability risk	The risk that climate change or changes in environmental policies will undermine the business models of the Bank's customers in various ways, resulting in the Bank incurring losses. The risk of the operations of the Bank's customers having a negative impact on the climate, ecosystems and health.
Reputation risk	The risk of the Bank's reputation suffering as a result of, for example, failure to comply with legislation, poor communication with customers, fines from the authorities or actions perceived to be unethical.

See the sections on *Internal controls* and *Risk management* in the Directors' Report for more information about how the Bank performs internal controls and manages its most important types of risk.

Note 6 Capital adequacy

PARENT COMPANY

31.12.22	31.12.23	EQUITY AND SUBORDINATED DEBT
1 948	1 948	Equity share capital
- 3	- 3	Deduction for own equity certificates
700	798	Primary capital
16	16	Share premium account
2 689	2 982	Dividend equalisation reserve
248	507	Allocated dividends/gifts
569	476	Reserve for unrealised gains
0	0	Other equity
6 168	6 723	Equity
		Other core capital
350	450	Hybrid capital
6 518	7 173	Equity
		Deductions
- 29	- 26	Deferred tax assets
- 10	- 6	Other intangible assets
- 162	- 113	Deduction for ownership interests in other companies in financial sector
- 20	- 19	Adjustment to comply with prudent valuation rules
- 248	- 507	Dividends and gifts
0	0	Other deductions
6 049	6 502	Net core capital
5 699	6 052	Core Tier 1 capital
		Supplementary capital
600	700	Subordinated debt instruments
600	700	Net supplementary capital
6 649	7 202	Net equity and subordinated debt
		BASIS FOR CALCULATION
		Credit risk
20	5	Local and regional authorities
3 831	3 046	Institutions
2 845	2 525	Enterprises
3 986	4 311	Retail loans
11 357	13 317	Residential mortgage loans
432	555	Overdue advances
297	259	Particularly high-risk assets (property development projects)
2 881	2 874	Equity investments
528	510	Covered bonds
134	171	Other advances
26 311	27 572	Total calculation basis for credit risk
0	0	Currency risk
1 910	2 221	Operational risk
69	308	CVA
28 290	30 101	Total calculation basis
4 385	4 794	Excess equity and subordinated debt
		CAPITAL ADEQUACY
23,50 %	23,93 %	Capital adequacy ratio
21,38 %	21,60 %	Core capital adequacy ratio
20,14 %	20,11 %	Core Tier 1 capital adequacy ratio
9,46 %	9,89 %	Unweighted core capital ratio

CONSOLIDATED

31.12.23	31.12.22
1 948	1 948
- 3	- 3
798	700
16	16
2 982	2 689
507	248
476	569
142	127
6 866	6 295
450	350
7 316	6 645
- 16	- 20
- 7	- 12
- 95	- 94
- 19	- 20
- 507	- 248
0	0
6 671	6 252
6 221	5 902
700	600
700	600
7 371	6 852
5	20
274	277
2 512	2 845
4 457	4 262
21 924	20 926
783	560
259	297
1 330	1 837
535	539
122	102
32 202	31 665
0	0
2 659	2 300
180	36
35 041	34 002
4 568	4 131
21,03 %	20,15 %
19,04 %	18,39 %
17,75 %	17,36 %
8,84 %	8,65 %

Note 7 Risk classification of loans to customers

Probability of default (PD)

The bank's PD models predict the likelihood of customers going into default over the coming 12 months.

The Bank uses the models to classify all of its loans monthly, in the risk classes A-K, with A being the lowest risk class and K being loans in default. Based on that, it places its customers in three main groups: Low risk (risk class A to D), medium risk (E-G) and high risk (H-K).

Risk class	Probability of default (PD)	
	from	up to
A	0,00 %	0,10 %
B	0,10 %	0,25 %
C	0,25 %	0,50 %
D	0,50 %	0,75 %
E	0,75 %	1,25 %
F	1,25 %	2,00 %
G	2,00 %	3,00 %
H	3,00 %	5,00 %
I	5,00 %	8,00 %
J	8,00 %	100,00 %
K	100,00 %	100,00 %

CONSOLIDATED

	Gross loans		Guarantees and undrawn credit facilities		Loss allowances	
	2023	2022	2023	2022	2023	2022
Corporate market						
Low risk (A-D)	9 143	9 501	2 478	1 813	25	37
Medium risk (E-G)	5 188	4 391	875	585	62	50
High risk (H-K)	1 290	1 378	125	273	175	196
Total for corporate market	15 621	15 270	3 477	2 671	262	284

	Gross loans		Guarantees and undrawn credit facilities		Loss allowances	
	2023	2022	2023	2022	2023	2022
Retail market						
Low risk (A-D)	33 888	32 427	3 539	3 413	9	6
Medium risk (E-G)	12 825	12 031	253	244	21	13
High risk (H-K)	1 952	1 771	10	10	44	32
Total for retail market	48 666	46 229	3 803	3 667	74	51

PARENT COMPANY

	Gross loans		Guarantees and undrawn credit facilities		Loss allowances	
	2023	2022	2023	2022	2023	2022
Corporate market						
Low risk (A-D)	8 917	9 294	2 443	1 776	24	37
Medium risk (E-G)	5 135	4 316	875	585	62	50
High risk (H-K)	1 271	1 357	125	273	175	197
Total for corporate market	15 323	14 967	3 442	2 634	261	284

	Gross loans		Guarantees and undrawn credit facilities		Loss allowances	
	2023	2022	2023	2022	2023	2022
Retail market						
Low risk (A-D)	15 457	12 304	1 475	1 480	1	1
Medium risk (E-G)	7 496	5 553	157	161	8	4
High risk (H-K)	883	736	7	6	20	18
Total for retail market	23 836	18 593	1 639	1 647	29	24

Note 8 Loans in default and debt relief

Note 2 includes an explanation of default and debt relief.

The table below shows assets recorded as being in payment default, which in the retail market means the default exceeds NOK 1,000 on one of the customer's accounts and constitutes at least 1% of their balance. The same applies to the corporate market, but with a limit of NOK 2,000.

Age analysis of payment defaults

	Gross loans		Guarantees and undrawn credit facilities		Loss allowances	
	31.12.23	31.12.22	31.12.23	31.12.22	31.12.23	31.12.22
CONSOLIDATED						
11-30 days past due	83	41	1	0	5	0
31-90 days past due	56	47	0	0	2	1
More than 90 days past due	204	139	5	2	75	48
Total assets more than 10 days past due	343	227	5	3	82	50

	Gross loans		Guarantees and undrawn credit facilities		Loss allowances	
	31.12.23	31.12.22	31.12.23	31.12.22	31.12.23	31.12.22
PARENT COMPANY						
11-30 days past due	58	11	1	0	4	0
31-90 days past due	38	22	0	0	2	0
More than 90 days past due	161	125	5	2	72	47
Total assets more than 10 days past due	257	159	5	3	78	47

The table below shows assets in default.

Assets in default

	Gross loans		Guarantees and undrawn credit facilities		Loss allowances	
	31.12.23	31.12.22	31.12.23	31.12.22	31.12.23	31.12.22
CONSOLIDATED						
More than 90 days past due	204	139	5	2	75	48
Other assets in default	592	462	23	34	61	68
Total assets in default	796	601	27	37	135	117
<i>Of which in the retail market</i>	<i>391</i>	<i>285</i>	<i>3</i>	<i>2</i>	<i>25</i>	<i>19</i>
<i>Of which in the corporate and public sector markets</i>	<i>405</i>	<i>316</i>	<i>24</i>	<i>35</i>	<i>109</i>	<i>97</i>

	Gross loans		Guarantees and undrawn credit facilities		Loss allowances	
	31.12.23	31.12.22	31.12.23	31.12.22	31.12.23	31.12.22
PARENT COMPANY						
More than 90 days past due	161	125	5	2	72	47
Other assets in default	397	347	23	34	50	65
Total assets in default	558	472	27	36	122	112
<i>Of which in the retail market</i>	<i>163</i>	<i>155</i>	<i>3</i>	<i>2</i>	<i>13</i>	<i>14</i>
<i>Of which in the corporate and public sector markets</i>	<i>395</i>	<i>316</i>	<i>24</i>	<i>35</i>	<i>109</i>	<i>98</i>

Note 8 Loans in default and debt relief (cont.)

The table below shows assets for which debt relief has been granted in conjunction with customers having difficulty meeting their payment obligations.

Debt relief

	Gross loans		Guarantees and undrawn credit facilities		Loss allowances	
CONSOLIDATED	31.12.23	31.12.22	31.12.23	31.12.22	31.12.23	31.12.22
Assets with debt relief that are not also in default	600	672	4	13	22	34
Assets with debt relief that are in default	284	165	0	0	34	20
Total assets with debt relief	884	837	4	13	56	54
<i>Of which in the retail market</i>	<i>479</i>	<i>382</i>	<i>0</i>	<i>0</i>	<i>12</i>	<i>6</i>
<i>Of which in the corporate and public sector markets</i>	<i>402</i>	<i>455</i>	<i>4</i>	<i>12</i>	<i>45</i>	<i>48</i>

Debt relief broken down by asset level

<i>Stage 2 assets</i>	<i>600</i>	<i>672</i>
<i>Stage 3 assets</i>	<i>284</i>	<i>165</i>

	Gross loans		Guarantees and undrawn credit facilities		Loss allowances	
PARENT COMPANY	31.12.23	31.12.22	31.12.23	31.12.22	31.12.23	31.12.22
Assets with debt relief that are not also in default	389	491	4	12	20	32
Assets with debt relief that are also in default	192	116	0	0	29	18
Total assets with debt relief	581	607	4	12	49	50
<i>Of which in the retail market</i>	<i>181</i>	<i>152</i>	<i>0</i>	<i>0</i>	<i>4</i>	<i>2</i>
<i>Of which in the corporate and public sector markets</i>	<i>401</i>	<i>455</i>	<i>4</i>	<i>12</i>	<i>45</i>	<i>48</i>

Debt relief broken down by asset level

<i>Stage 2 assets</i>	<i>389</i>	<i>491</i>
<i>Stage 3 assets</i>	<i>192</i>	<i>116</i>

Note 9 Loans by customer groups

	Gross loans		Guarantees and undrawn credit facilities		Loans in default and at risk of default		Loss allowances	
	31.12.23	31.12.22	31.12.23	31.12.22	31.12.23	31.12.22	31.12.23	31.12.22
CONSOLIDATED								
Wage and salary earners and pensioners	48 666	46 229	3 803	3 667	394	285	74	51
Public sector	4	10	119	64	0	0	0	0
Farming and forestry	1 690	1 611	187	192	9	2	11	11
Fishing and hunting	2 092	2 034	137	171	163	3	20	33
Aquaculture and hatcheries	549	532	127	90	1	42	7	10
Industry and mining	802	847	936	362	11	20	12	18
Power/water supply	739	980	344	28	3	3	10	10
Building and construction	1 603	1 529	618	759	131	116	85	83
Commerce/retail	993	858	426	378	11	31	7	8
Transport	563	585	122	121	4	15	1	3
Hotels and tourism	471	459	52	43	3	4	4	4
Services	835	927	116	127	48	46	30	31
Property management	5 280	4 898	293	337	45	71	75	72
Other	0	0	0	0	0	0	0	0
Total	64 286	61 498	7 280	6 338	823	638	336	334
<i>Of which in the retail market</i>	<i>48 666</i>	<i>46 229</i>	<i>3 803</i>	<i>3 667</i>	<i>394</i>	<i>285</i>	<i>74</i>	<i>51</i>
<i>Of which in the corporate and public sector markets</i>	<i>15 621</i>	<i>15 270</i>	<i>3 477</i>	<i>2 671</i>	<i>429</i>	<i>353</i>	<i>262</i>	<i>284</i>
	Gross loans		Guarantees and undrawn credit facilities		Loans in default and at risk of default		Loss allowances	
	31.12.23	31.12.22	31.12.23	31.12.22	31.12.23	31.12.22	31.12.23	31.12.22
PARENT COMPANY								
Wage and salary earners and pensioners	23 836	18 593	1 639	1 647	166	157	29	24
Public sector	4	10	119	64	0	0	0	0
Farming and forestry	1 650	1 577	182	186	9	2	11	11
Fishing and hunting	2 087	2 029	137	171	161	3	20	33
Aquaculture and hatcheries	549	532	127	90	1	42	7	10
Industry and mining	795	840	934	360	11	20	12	18
Power/water supply	739	980	344	28	3	3	10	10
Building and construction	1 518	1 447	603	742	127	116	85	83
Commerce/retail	940	800	426	378	11	31	7	8
Transport	527	548	117	119	1	15	1	3
Hotels and tourism	469	454	52	43	3	4	4	4
Services	775	861	107	117	48	46	30	31
Property management	5 271	4 890	293	338	45	69	75	73
Other	0	0	0	0	0	0	0	0
Total	39 159	33 560	5 081	4 282	585	508	290	308
<i>Of which in the retail market</i>	<i>23 836</i>	<i>18 593</i>	<i>1 639</i>	<i>1 647</i>	<i>166</i>	<i>157</i>	<i>29</i>	<i>24</i>
<i>Of which in the corporate and public sector markets</i>	<i>15 323</i>	<i>14 967</i>	<i>3 442</i>	<i>2 635</i>	<i>419</i>	<i>351</i>	<i>261</i>	<i>284</i>

Note 10 Loans by geographic area

CONSOLIDATED	Gross loans		Percentage of gross loans	
	2023	2022	2023	2022
County				
Vestland	51 139	49 494	79,5 %	80,5 %
Oslo	4 775	4 122	7,4 %	6,7 %
Viken	3 915	3 561	6,1 %	5,8 %
Møre og Romsdal	1 527	1 497	2,4 %	2,4 %
Rogaland	674	685	1,0 %	1,1 %
Trøndelag	478	432	0,7 %	0,7 %
Troms og Finnmark	538	520	0,8 %	0,8 %
Vestfold og Telemark	517	459	0,8 %	0,7 %
Innlandet	323	342	0,5 %	0,6 %
Agder	233	218	0,4 %	0,4 %
Nordland	169	168	0,3 %	0,3 %
Total gross loans	64 286	61 498	100,0 %	100,0 %

PARENT COMPANY	Gross loans		Percentage of gross loans	
	2023	2022	2023	2022
County				
Vestland	32 689	28 896	83,5 %	86,1 %
Oslo	2 191	1 354	5,6 %	4,0 %
Viken	1 659	1 091	4,2 %	3,3 %
Møre og Romsdal	1 080	975	2,8 %	2,9 %
Rogaland	315	249	0,8 %	0,7 %
Trøndelag	217	144	0,6 %	0,4 %
Troms og Finnmark	418	402	1,1 %	1,2 %
Vestfold og Telemark	235	149	0,6 %	0,4 %
Innlandet	154	120	0,4 %	0,4 %
Agder	110	100	0,3 %	0,3 %
Nordland	91	78	0,2 %	0,2 %
Total gross loans	39 159	33 560	100,0 %	100,0 %

Note 11 Collateral ratio for loans to customers

In the retail market, the collateral for loans is almost always real property. In the calculation below, properties are valued at their market value based on the estimates of Eiendomsverdi AS, estate agent valuations, assessed valuations or valuations based on our knowledge of the property market. Valuations of collateral provided by retail customers are assessed at least every three years.

In the case of the corporate market, most of the collateral consists of fixed assets such as real property, mortgages on ships, and licences or quotas. Other forms of collateral include liens on current assets such as factored accounts receivable, promissory notes and operating assets, and mortgages, guarantees and insurance contracts. Valuations of collateral provided by corporate customers are assessed at least once a year. The Bank does not have estimated collateral ratios for advances to corporate customers for 2022, so the table below does not show comparative figures for them.

It gives the proportionate distribution of assets by their collateral ratio. The collateral ratio is calculated at the customer level, by dividing the value of the collateral by that of the outstanding asset. If the collateral ratio is below 100%, the value of the assets exceeds that of the collateral.

CONSOLIDATED	Gross loans		Guarantees and undrawn credit facilities		Loss allowances	
Corporate Market	2023		2023		2023	
No collateral	0		0		0	
Collateral ratio of 0-100%	2 925		1 135		176	
Collateral ratio of 100-150%	5 535		1 251		59	
Collateral ratio of 150-200%	2 977		307		16	
Collateral ratio of over 200%	4 184		785		11	
Total for corporate market	15 621		3 477		262	

	Gross loans		Guarantees and undrawn credit facilities		Loss allowances	
Retail Market	2023	2022	2023	2022	2023	2022
No collateral	133	120	560	563	2	2
Collateral ratio of 0-100%	1 178	735	79	65	6	8
Collateral ratio of 100-150%	29 704	27 152	1 372	1 391	57	33
Collateral ratio of 150-200%	12 755	13 400	1 109	1 016	8	2
Collateral ratio of over 200%	4 897	4 822	683	631	1	5
Total for retail market	48 666	46 229	3 803	3 667	74	51

PARENT COMPANY	Gross loans		Guarantees and undrawn credit facilities		Loss allowances	
Corporate Market	2023		2023		2023	
No collateral	0		0		0	
Collateral ratio of 0-100%	2 916		1 134		176	
Collateral ratio of 100-150%	5 410		1 240		59	
Collateral ratio of 150-200%	2 851		294		15	
Collateral ratio of over 200%	4 146		774		11	
Total for corporate market	15 323		3 442		261	

	Gross loans		Guarantees and undrawn credit facilities		Loss allowances	
Retail Market	2023	2022	2023	2022	2023	2022
No collateral	132	119	559	563	2	2
Collateral ratio of 0-100%	903	491	68	52	3	5
Collateral ratio of 100-150%	16 407	12 139	552	594	22	11
Collateral ratio of 150-200%	4 802	4 442	316	297	2	1
Collateral ratio of over 200%	1 592	1 402	144	141	0	4
Total for retail market	23 836	18 593	1 639	1 647	29	23

* For the corporate banking market, we lack comparative figures for 2022.

Note 12 Explanation of impairment model under IFRS 9

The Bank has developed a model for calculating expected credit losses that meets the requirements of IFRS 9. The model calculates the Expected Credit Loss (ECL) for all loan accounts, guarantees and undrawn credit facilities. The ECL is an unbiased estimate based on several future scenarios.

The model splits loans into three stages. Upon initial recognition, a loan is generally allocated to Stage 1. If the account's credit risk has increased significantly since initial recognition, it is moved to Stage 2. Assets in default are allocated to Stage 3, using the same definition of default as used for internal risk management, as stated in Note 7. An account shall always be allocated to the highest stage that it qualifies for.

For assets in Stage 1, expected credit losses are calculated for the coming 12 months, whereas for Stages 2 and 3, expected credit losses are calculated for the expected lifetime of the asset.

The ECL is calculated using parameters that estimate the exposure at default (EAD) and loss given default (LGD), as well as the probability of default (PD) for any given period.

Individually assessed allowances

Where observable data indicates that a financial asset is credit-impaired, it is individually assessed for impairment. These events could include migration to a higher risk category, being overdrawn/past due on a credit account or other forms of default. This is also done if our standard interaction with a customer brings to our attention difficulties that cast doubt on the customer's ability to repay the loan. As a general rule, assets worth less than NOK 4 million and loans to retail customers are not assessed individually for impairment. Assets that are not assessed individually for impairment shall nevertheless be reviewed for unlikelihood to pay in accordance with the criteria specified in Note 8. Where it is considered unlikely that the customer will be able to repay the loan without realising the collateral, the customer is manually transferred to Stage 3 and considered in default.

Individually assessed allowances are determined by a probability-weighted calculation of various possible outcomes. Where an individually assessed allowance has been made, this takes precedence over the impairment calculated by the model. Individually assessed allowances are included in Stage 3.

Probability of default (PD)

The Bank has, based on its own default data, developed models for estimating the likelihood of default over the coming 12 months (12-month PD). The likelihood that a customer will default on their obligations during the remaining term of the asset (the lifetime PD) is derived from the 12-month PD, using the assumption that in the long term the PD will migrate towards the average PD of the portfolio.

The Bank has models for application scoring and behavioural scoring at the customer level. The application scoring models are used to estimate the PD when a customer applies for a loan or credit facility. The behavioural scoring models are used to estimate the PD for all existing assets at the end of each month. Scoring is based on external and internal parameters, using separate models for the corporate market and retail market.

Loss given default (LGD)

The LGD represents how much the Bank expects to lose in the event of a default, and it incorporates the following components:

- The likelihood that an asset in default will be cured
- The projected collateral ratio for the exposure
- The expected recovery rate for the unsecured part of an exposure
- External costs associated with debt recovery

A floor is also set for losses if the account is not cured. At 31.12.2023, this floor was 1% for retail customers and 2% for corporate customers. An account is considered cured if it was in default and is closed without any losses being realised.

When calculating the collateral ratio, the expected sales value of the underlying collateral is used. For residential properties, for example, the sales value is set at 50% of the valuation. The projected sales values are based on three future scenarios for house prices.

Exposure at default (EAD)

The EAD represents the expected credit exposure to the customer at the time of default. For loans with a contractual loan repayment schedule, that schedule is used as a basis for determining the EAD. An adjustment is made to take into account the likelihood of the customer repaying the loan more quickly than is stipulated by the loan repayment schedule (prepayment). This includes the likelihood of the customer paying off the loan completely before the maturity date. For credit facilities, it is assumed that the whole credit limit has been drawn at the time of default, whereas for guarantees, conversion factors of 50% and 100% are used.

Note 12 Explanation of impairment model under IFRS 9 (cont.)

Expected life

For loans and advances in Stage 2, the ECL shall be calculated for the remaining expected life of the asset. For loans and advances with a contractual term, this is the remaining term to maturity at the reporting date. For undrawn credit facilities, the expected life is based on the average observed life of discontinued credit facilities.

Significant increase in credit risk

Transfers from Stage 1 to Stage 2 are governed by the definition of a significant increase in credit risk. The Bank itself is responsible for defining what constitutes a significant increase in credit risk. There are three elements to how it does this: a quantitative element, a qualitative element and a back stop. The quantitative element is the main driver of transfers from Stage 1 to Stage 2.

Quantitative element: An asset is considered to have experienced a significant increase in credit risk if the PD on the reporting date is at least twice as high as the expected PD calculated at the recognition date, and the change in PD is at least 0.5 percentage points.

Qualitative element: If the customer has been given debt relief on at least one loan, or if the customer is on the Bank's watch list for customers with increased credit risk, all of the customer's accounts shall be transferred to Stage 2 if they don't qualify for Stage 3.

Back stop: If an account is more than 30 days past due, it shall be transferred to Stage 2 regardless of whether or not it meets the requirements of the quantitative and qualitative tests. If an account is more than 90 days past due, it shall be moved to Stage 3.

The table below shows the reasons for transfers to Stage 2 for the loans in the Bank's portfolio at 31.12.2023. Where a loan meets several of the criteria for transfer, it is reported under the category that is highest up in the table.

	Gross loans (millions of NOK)
Reasons for transfers to Stage 2	
Change in PD	9 163
Debt relief	461
Watch list	134
Overdrawn/past due for more than 30 days	3
Total gross loans in Stage 2	9 761

Exceptions for low credit risk loans

In its inspection reports, the Financial Supervisory Authority of Norway has pointed out that basing transfers to Stage 2 on absolute limits for changes in the PD in reality amounts to making use of the low credit risk exemption in IFRS 9, and that banks must ensure that the limit does not prevent timely identification of loans where the risk has risen. The Bank reduced the absolute limit from 0.75 percentage points to 0.5 percentage points in 2023. The table below shows that removing the limit would have increased impairments by NOK 2.9 million at 31.12.2023. The Bank considers that the limit does not have a material impact on estimated losses and helps to reduce the volatility of transfers between stages 1 and 2 between accounting periods.

	Gross loans Stage 2 (millions of NOK)	Total loss allowance (millions of NOK)
Impact of absolute limit on changes in PD		
Absolute limit of 0.5 p.p. for transfers to Stage 2	9.761,4	336,1
No absolute limit for transfers to Stage 2	12.938,6	339,0
Change from removing absolute limit	3.177,2	2,9

Transfer to lower stages

An account in Stage 2 can be transferred back to Stage 1 if it no longer meets any of the three criteria described above. If a loan has been on the Group's watch list, it must complete a three month probation period before it can be moved to Stage 1.

Assets that are in default will be transferred from Stage 3 to Stage 1 or 2 when they are no longer identified as in default, and once they have completed a three month probation period without any further default events.

In the case of customers who have been considered in default on account of receiving debt relief on two or more occasions during a two-year period, or who become overdrawn/more than 30 days past due in the two-year period after receiving debt relief, there is a probation period of 12 months.

Derecognition of loans

A loan is shown as being derecognised if it has been repaid and the loan account has been closed. This applies both if the loan has been repaid by the customer and if it has been refinanced with our bank or another bank.

Note 12 Explanation of impairment model under IFRS 9 (cont.)

Macroeconomic scenarios

As previously mentioned, the Bank takes into account information about the future when estimating ECLs. This is done by incorporating three macroeconomic scenarios into the calculation: a base scenario with a 50% weighting, and one pessimistic and one optimistic scenario each with a 25% weighting. ECLs are calculated based on the weighted outcomes of the three scenarios.

The relationship between the macroeconomic parameters and the PD used to be based on a model developed by the Norwegian Computing Centre, which used future interest rates, unemployment, the consumer price index and oil price to estimate future default rates. Due to the unusual macroeconomic situation we have been through, the model is not sufficiently good at predicting the probability of default over the next few years. We have therefore used internal expert assessments of what is likely to happen to the probability of default over the coming five years, based on projections from the monetary policy report.

For residential mortgage loans, the collateral values in the scenarios are projected based on the house price forecast in the monetary policy report.

As of the current time, no climate-related scenarios have been included when calculating expected losses.

More information about the macroeconomic scenarios can be found in Note 16.

Industry adjustments to the probability of default

For specific industries or big customer groups where the risk of default has increased or is expected to increase, and the PD model does not adequately reflect the future probability of default, it is possible to adjust the estimated PD using a flat and/or proportional risk premium.

For customers in the property development sector and construction industry, the PD has been scaled up by 50%, based on the slowdown in activity in 2024. For customers in the aquaculture sector it has been scaled up by 50% due to the increase in risk associated with resource rent tax and environmental considerations. In addition, it has been scaled up by 50% for the agriculture sector as a result of the industry's transition risk being judged to be high in the Bank's TCFD report.

The Bank's credit committee uses its best judgement to review these adjustments each quarter.

Corporate governance

The Bank's procedures and guidelines establish a clear system for determining losses. This system gives different departments at the Bank responsibility for different areas, such as developing and maintaining models, preparing macroeconomic scenarios, assessing scenarios and calculating expected credit losses.

Changes to the impairment model during 2023

The table below shows which changes were made and how they individually affected our profit at the point at which the change was implemented. For example, the increase in the industry adjustment to the probability of default for the construction industry increased model-based losses by NOK 1.2 million when it was introduced in Q4 2023. This reduced profit by the same amount: NOK 1.2 million.

Note 12 Explanation of impairment model under IFRS 9 (cont.)

Changes	When change was introduced	Impact on loss allowance
Industry adjustment to PD for construction sector raised to 150% of current level	Q4 2023	+ NOK 1.2 million
Industry adjustment to PD for transport sector cut from 150% to no adjustment	Q3 2023	- NOK 0.2 million
Industry adjustment to PD for property development sector cut from 175% to 150% of current PD	Q3 2023	- NOK 3.0 million
Changes to how the collateral ratio is calculated, including lower sales values for mortgages on residential properties and a ceiling of 95% on collateral ratios	Q1 2023	+ NOK 37.0 million
Updated prepayment factor and expected term to maturity. Floor of one year introduced for the term to maturity for all advances	Q1 2023	+ NOK 15.4 million
Absolute limit for transfers to Stage 2 reduced from 0.75 p.p. to 0.5 p.p.	Q1 2023	+ NOK 5.9 million
Current PD and initial PD adjusted up by 50% for CM, in parallel with scenario parameters for CM being adjusted down by 50% across all periods	Q1 2023	- NOK 15.9 million
Higher cure rate for performing loans and new loans in default for RM and CM Lower cure rate for loans that have been in default for an extended period	Q1 2023	- NOK 58.8 million
Conversion factor raised from 50% to 100% for payment guarantees and certain other types of guarantees	Q1 2023	+ NOK 4.9 million

Note 13 Assets classified by IFRS 9 stage

A change in the rules for transferring loans to Stage 2 was introduced as of the first quarter of 2023, whereby the absolute limit for changes in the PD was lowered from 0.75 to 0.50 percentage points.

This increased the volume of loans in Stage 2 by around NOK 2,298 million.

CONSOLIDATED

2023

	Stage 1	Stage 2	Stage 3	Total
Gross loans at amortised cost at 01.01.23	51 529	5 692	583	57 805
Transferred to Stage 1	1 407	- 1 367	- 40	0
Transferred to Stage 2	- 4 203	4 248	- 44	0
Transferred to Stage 3	- 120	- 318	438	0
New financial assets issued or acquired	15 515	2 253	35	17 802
Derecognised financial assets	- 13 402	- 1 610	- 169	- 15 181
Other changes	124	356	- 18	462
Gross loans at amortised cost at 31.12.23	50 850	9 254	784	60 888
Loss allowance for loans at amortised cost at 31.12.23	58	123	130	311
Net loans at amortised cost at 31.12.23	50 791	9 132	654	60 577
	Stage 1	Stage 2	Stage 3	Total
Gross loans at fair value at 31.12.23	2 880	507	12	3 398
Loss allowance for loans at fair value at 31.12.23	2	3	1	5
Net loans at fair value at 31.12.23	2 878	504	11	3 393
	Stage 1	Stage 2	Stage 3	Total
Gross loans at 31.12.23	53 729	9 761	796	64 286
<i>Of which in the retail market</i>	<i>42 330</i>	<i>5 945</i>	<i>391</i>	<i>48 666</i>
<i>Of which in the corporate and public sector markets</i>	<i>11 399</i>	<i>3 817</i>	<i>405</i>	<i>15 621</i>
Loss allowance for loans at 31.12.23	60	126	130	316
Net loans at 31.12.23	53 669	9 635	665	63 970
	Stage 1	Stage 2	Stage 3	Total
Undrawn credit facilities and guarantees at 31.12.23	6 832	421	27	7 280
<i>Of which in the retail market</i>	<i>3 703</i>	<i>97</i>	<i>3</i>	<i>3 803</i>
<i>Of which in the corporate and public sector markets</i>	<i>3 129</i>	<i>324</i>	<i>24</i>	<i>3 477</i>
Loss allowance for guarantees and undrawn credit facilities at 31.12.23	11	4	5	20
Net exposure to undrawn credit facilities and guarantees at 31.12.23	6 821	417	22	7 260

Note 13 Assets classified by IFRS 9 stage (cont.)

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2022	Stage 1	Stage 2	Stage 3	Total
Gross loans at amortised cost at 01.01.22	47 903	4 654	1 043	53 600
Transferred to Stage 1	1 324	- 1 164	- 160	0
Transferred to Stage 2	- 1 518	1 826	- 309	0
Transferred to Stage 3	- 59	- 74	133	0
New financial assets issued or acquired	16 159	1 482	75	17 716
Derecognised financial assets	- 15 031	- 1 392	- 182	- 16 605
Other changes	2 751	360	- 16	3 094
Gross loans at amortised cost at 31.12.22	51 529	5 692	583	57 805
Loss allowance for loans at amortised cost at 31.12.22	58	136	112	306
Net loans at amortised cost at 31.12.22	51 471	5 556	472	57 499
	Stage 1	Stage 2	Stage 3	Total
Gross loans at fair value at 31.12.22	3 282	394	18	3 693
Loss allowance for loans at fair value at 31.12.22	1	3	4	8
Net loans at fair value at 31.12.22	3 280	391	13	3 685
	Stage 1	Stage 2	Stage 3	Total
Total gross loans at 31.12.22	54 811	6 086	601	61 498
<i>Of which in the retail market</i>	<i>42 149</i>	<i>3 794</i>	<i>285</i>	<i>46 229</i>
<i>Of which in the corporate and public sector markets</i>	<i>12 662</i>	<i>2 292</i>	<i>316</i>	<i>15 270</i>
Loss allowance for loans at 31.12.22	59	139	116	314
Net loans at 31.12.22	54 752	5 947	485	61 184
	Stage 1	Stage 2	Stage 3	Total
Undrawn credit facilities and guarantees at 31.12.22	5 872	429	37	6 338
<i>Of which in the retail market</i>	<i>3 611</i>	<i>53</i>	<i>2</i>	<i>3 667</i>
<i>Of which in the corporate and public sector markets</i>	<i>2 261</i>	<i>375</i>	<i>35</i>	<i>2 671</i>
Loss allowance for guarantees and undrawn credit facilities at 31.12.22	12	8	1	20
Net exposure to undrawn credit facilities and guarantees at 31.12.22	5 860	421	36	6 317

Note 13 Assets classified by IFRS 9 stage (cont.)

PARENT COMPANY

2023

	Stage 1	Stage 2	Stage 3	Total
Gross loans at amortised cost and fair value at 01.01.23	25 985	3 428	454	29 867
Transferred to Stage 1	910	- 880	- 30	0
Transferred to Stage 2	- 2 740	2 758	- 18	0
Transferred to Stage 3	- 48	- 230	278	0
New financial assets issued or acquired	12 333	1 955	23	14 311
Derecognised financial assets	- 6 959	- 968	- 140	- 8 066
Other changes	- 464	134	- 21	- 351
Gross loans at amortised cost and fair value at 31.12.23	29 017	6 198	546	35 760
Loss allowance for loans at amortised cost and fair value at 31.12.23	42	106	117	265
Net loans at amortised cost and fair value at 31.12.23	28 974	6 092	429	35 495
	Stage 1	Stage 2	Stage 3	Total
Gross loans at fair value through PL at 31.12.23	2 880	507	12	3 398
Loss allowance for loans at fair value at 31.12.23	2	3	1	5
Net loans at fair value through PL at 31.12.23	2 878	504	11	3 393
	Stage 1	Stage 2	Stage 3	Total
Total gross loans at 31.12.23	31 896	6 705	558	39 159
<i>Of which in the retail market</i>	<i>20 710</i>	<i>2 963</i>	<i>163</i>	<i>23 836</i>
<i>Of which in the corporate and public sector markets</i>	<i>11 186</i>	<i>3 742</i>	<i>395</i>	<i>15 323</i>
Total loss allowance for loans at 31.12.23	44	109	118	271
Total net loans at 31.12.23	31 852	6 596	440	38 888
	Stage 1	Stage 2	Stage 3	Total
Undrawn credit facilities and guarantees at 31.12.23	4 688	365	27	5 081
<i>Of which in the retail market</i>	<i>1 592</i>	<i>43</i>	<i>3</i>	<i>1 639</i>
<i>Of which in the corporate and public sector markets</i>	<i>3 096</i>	<i>322</i>	<i>24</i>	<i>3 442</i>
Loss allowance for guarantees and undrawn credit facilities at 31.12.23	11	4	5	19
Net exposure to undrawn credit facilities and guarantees at 31.12.23	4 678	361	22	5 062

Note 13 Assets classified by IFRS 9 stage (cont.)

PARENT COMPANY

2022

	Stage 1	Stage 2	Stage 3	Total
Gross loans at amortised cost and fair value through OCI at 01.01.22	26 292	3 102	927	30 321
Transferred to Stage 1	871	- 737	- 133	0
Transferred to Stage 2	- 945	1 235	- 289	0
Transferred to Stage 3	- 29	- 28	57	0
New financial assets issued or acquired	10 073	848	69	10 990
Derecognised financial assets	- 9 861	- 941	- 149	- 10 951
Other changes	- 416	- 50	- 27	- 493
Gross loans at amortised cost and fair value through OCI at 31.12.22	25 985	3 428	454	29 867
Loss allowance for loans at amortised cost and fair value through OCI at 31.12.22	48	125	107	280
Net loans at amortised cost and fair value through OCI at 31.12.22	25 937	3 303	347	29 587
	Stage 1	Stage 2	Stage 3	Total
Gross loans at fair value at 31.12.22	3 282	394	18	3 693
Loss allowance for loans at fair value at 31.12.22	1	3	4	8
Net loans at fair value at 31.12.22	3 280	391	13	3 685
	Stage 1	Stage 2	Stage 3	Total
Total gross loans at 31.12.22	29 266	3 822	472	33 560
Of which in the retail market	16 873	1 565	155	18 593
Of which in the corporate and public sector markets	12 393	2 258	316	14 967
Total loss allowance for loans at 31.12.22	49	128	111	288
Total net loans at 31.12.22	29 217	3 695	360	33 272
	Stage 1	Stage 2	Stage 3	Total
Undrawn credit facilities and guarantees at 31.12.22	3 841	404	36	4 281
Of which in the retail market	1 617	28	2	1 647
Of which in the corporate and public sector markets	2 224	375	35	2 634
Loss allowance for guarantees and undrawn credit facilities at 31.12.22	11	8	1	20
Net exposure to undrawn credit facilities and guarantees at 31.12.22	3 829	396	36	4 261

Note 14 Loss allowances classified by IFRS 9 stage

When calculating expected credit losses, loans are split into three stages in line with the requirements in IFRS 9. When a loan is recognised, as a general rule it is allocated to Stage 1. If its credit risk has increased significantly since initial recognition, it is transferred to Stage 2. Assets in default are allocated to Stage 3. Where an individually assessed allowance has been made, this takes precedence over the impairment calculated by the model. Individually assessed allowances are included in Stage 3.

As of the first quarter of 2023, changes were made to the loss allowances after validating the impairment model. Amongst other things, major changes were made to how the collateral ratio is calculated and to the cure rate in the Bank's LGD model. A change was also made to the rules for transferring loans to Stage 2, whereby the absolute limit for changes in the PD was lowered from 0.75 to 0.50 percentage points. A loan is now moved to Stage 2 if its PD has increased by at least 100% from when it was originated and the increase in the PD is over 0.50 percentage points.

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2023

	Stage 1	Stage 2	Stage 3	Total
Opening loss allowance for loans at amortised cost at 01.01.23	58	136	112	306
Transferred to Stage 1	2	- 14	- 3	- 15
Transferred to Stage 2	- 9	54	- 3	42
Transferred to Stage 3	0	- 28	28	- 1
New financial assets issued or acquired	22	25	2	49
Derecognised financial assets	- 15	- 31	- 24	- 70
Changes to model/macroeconomic parameters	- 5	- 25	13	- 17
Actual losses covered by previous provisions	0	0	- 8	- 8
Other changes	5	6	14	25
Loss allowance for loans at amortised cost at 31.12.23	58	123	130	311
Loss allowance for loans at fair value at 31.12.23	2	3	1	5
Total loss allowance for loans at 31.12.23	60	126	130	316
<i>Of which in the retail market</i>	<i>17</i>	<i>31</i>	<i>25</i>	<i>73</i>
<i>Of which in the corporate and public sector markets</i>	<i>43</i>	<i>95</i>	<i>105</i>	<i>243</i>

	Stage 1	Stage 2	Stage 3	Total
Opening loss allowance for undrawn credit facilities and guarantees at 01.01.23	12	8	1	20
Changes during the reporting period	- 1	- 4	4	0
Loss allowance for undrawn credit facilities and guarantees at 31.12.23	11	4	5	20
<i>Of which in the retail market</i>	<i>1</i>	<i>0</i>	<i>0</i>	<i>1</i>
<i>Of which in the corporate and public sector markets</i>	<i>10</i>	<i>4</i>	<i>4</i>	<i>19</i>

2022

	Stage 1	Stage 2	Stage 3	Total
Opening loss allowance for loans at amortised cost at 01.01.22	35	69	196	300
Transferred to Stage 1	5	- 13	- 25	- 34
Transferred to Stage 2	- 4	46	- 29	14
Transferred to Stage 3	0	- 1	10	9
New financial assets issued or acquired	26	29	8	63
Derecognised financial assets	- 11	- 19	- 60	- 90
Changes to model/macroeconomic parameters	12	23	3	38
Actual losses covered by previous provisions	0	0	- 18	- 18
Other changes	- 6	3	27	24
Loss allowance for loans at amortised cost at 31.12.22	58	136	112	306
Loss allowance for loans at fair value at 31.12.22	1	3	4	8
Loss allowance for loans at 31.12.22	59	139	116	314
<i>Of which in the retail market</i>	<i>11</i>	<i>20</i>	<i>19</i>	<i>49</i>
<i>Of which in the corporate and public sector markets</i>	<i>48</i>	<i>119</i>	<i>97</i>	<i>265</i>

	Stage 1	Stage 2	Stage 3	Total
Opening loss allowance for undrawn credit facilities and guarantees at 01.01.22	4	9	3	15
Changes during the reporting period	8	- 1	- 2	5
Loss allowance for undrawn credit facilities and guarantees at 31.12.22	12	8	1	20
<i>Of which in the retail market</i>	<i>1</i>	<i>0</i>	<i>0</i>	<i>1</i>
<i>Of which in the corporate and public sector markets</i>	<i>11</i>	<i>8</i>	<i>1</i>	<i>19</i>

Note 14 Loss allowances classified by IFRS 9 stage (cont.)

PARENT COMPANY

2023

Opening loss allowance for loans at amortised cost and fair value through OCI at 01.01.23

Stage 1 Stage 2 Stage 3 Total

48 125 107 280

Transferred to Stage 1

0 - 2 0 - 2

Transferred to Stage 2

- 1 4 - 1 3

Transferred to Stage 3

0 - 1 4 3

New financial assets issued or acquired

21 23 1 46

Derecognised financial assets

- 13 - 28 - 22 - 63

Changes to model/macroeconomic parameters

3 5 6 14

Actual losses covered by previous provisions

0 0 - 8 - 8

Other changes

- 16 - 21 30 - 7

Loss allowance for loans at amortised cost and fair value through OCI at 31.12.23

42 106 117 265

Loss allowance for loans at fair value at 31.12.23

2 3 1 5

Total loss allowance for loans at 31.12.23

44 109 118 271

Of which in the retail market

1 14 13 29

Of which in the corporate and public sector markets

43 95 105 242

Stage 1 Stage 2 Stage 3 Total

Opening loss allowance for undrawn credit facilities and guarantees at 01.01.23

11 8 1 20

Changes during the reporting period

- 1 - 4 4 - 1

Loss allowance for undrawn credit facilities and guarantees at 31.12.23

11 4 5 19

Of which in the retail market

0 0 0 0

Of which in the corporate and public sector markets

11 4 5 19

2022

Stage 1 Stage 2 Stage 3 Total

Opening loss allowance for loans at amortised cost and fair value through OCI at 01.01.22

29 65 192 286

Transferred to Stage 1

5 - 12 - 25 - 32

Transferred to Stage 2

- 3 44 - 28 12

Transferred to Stage 3

0 - 1 7 6

New financial assets issued or acquired

24 25 8 57

Derecognised financial assets

- 10 - 18 - 58 - 85

Changes to model/macroeconomic parameters

8 17 2 27

Actual losses covered by previous provisions

0 0 - 18 - 18

Other changes

- 5 4 26 26

Loss allowance for loans at amortised cost and fair value through OCI at 31.12.22

48 125 107 280

Loss allowance for loans at fair value at 31.12.22

1 3 4 8

Total loss allowance for loans at 31.12.22

49 128 111 288

Of which in the retail market

1 8 14 24

Of which in the corporate and public sector markets

48 119 97 264

Stage 1 Stage 2 Stage 3 Total

Opening loss allowance for undrawn credit facilities and guarantees at 01.01.22

3 9 3 15

Changes during the reporting period

8 - 1 - 2 5

Loss allowance for undrawn credit facilities and guarantees at 31.12.22

11 8 1 20

Of which in the retail market

0 0 0 0

Of which in the corporate and public sector markets

11 8 1 20

Normally, a loss is realised when all collateral has been sold and it is not expected that the bank will receive further payments with respect to the asset. The claim against the customer is still pursued unless an agreement to cancel the remaining debt has been reached with the customer. At 31.12.2023, the outstanding balance for assets with a realised loss that were still being pursued was the same for the parent company and the Group.

31.12.23 31.12.22

Outstanding balance for assets with a realised loss still being pursued

107 112

Note 15 Impairment loss on loans, guarantees and undrawn credit facilities

	2023	2022
Increase/reduction in individually assessed allowances	19	- 83
Increase/reduction in model-based expected credit losses	- 13	104
Losses realised during period for which a loss allowance had previously been made	8	18
Losses realised during period for which a loss allowance had not previously been made	1	4
Recoveries against previous years' realised losses	- 3	- 7
Impairment loss for the period	13	36

Note 16 Macroeconomic scenarios in the impairment model under IFRS 9

Under IFRS 9, impairment allowances shall take into account expectations for future defaults and credit losses. Since 2018, a statistical model has been used to estimate how expected changes in macroeconomic parameters will affect the future probability of default. Due to the unusual macroeconomic situation over the past few years, the model is no longer sufficiently good at predicting the future probability of default. A qualitative assessment has therefore been made of what is likely to happen to the probability of default and collateral values over the next five years, based on forecasts in Norges Bank's monetary policy report.

Expected credit losses are calculated on the basis of three macroeconomic scenarios, with scenario 1 being the base scenario. In addition, there is an optimistic macroeconomic scenario (scenario 2) where the Norwegian economy performs better than expected, and a pessimistic macroeconomic scenario (scenario 3) where the Norwegian economy performs worse than expected.

The table below shows the future scenarios used to calculate expected credit losses at 31.12.2023.

Future scenarios for retail market used to measure estimated expected credit losses at 31.12.23	Probability of default starting from 31.12.2023					House prices	
	Year 1	Year 2	Year 3	Year 4	Year 5	Annual average growth	Weighting of scenario
Scenario 1: Base scenario for retail market	2,20	2,00	1,80	1,60	1,40	3,3 %	50 %
Scenario 2: Optimistic scenario for retail market	1,65	1,50	1,35	1,20	1,00	4,3 %	25 %
Scenario 3: Pessimistic scenario for retail market	2,75	2,50	2,25	2,00	1,80	0,5 %	25 %

Future scenarios for corporate market used to measure estimated expected credit losses at 31.12.23	Probability of default starting from 31.12.2023					Collateral values	
	Year 1	Year 2	Year 3	Year 4	Year 5	Annual average growth	Weighting of scenario
Scenario 1: Base scenario for corporate market	1,50	1,45	1,45	1,35	1,25	- 1,8 %	50 %
Scenario 2: Optimistic scenario for corporate market	1,28	1,23	1,23	1,15	1,00	- 0,3 %	25 %
Scenario 3: Pessimistic scenario for corporate market	1,88	1,81	1,81	1,69	1,60	- 5,0 %	25 %

Note 16 Macroeconomic scenarios in the impairment model under IFRS 9 (cont.)

Sensitivity analysis of changes to assumptions in impairment model under IFRS 9

The table below shows how sensitive the Bank's profitability would be to changes in the parameters presented above. For example, if we had put the probability of default in all of the scenarios 10% higher across the whole 5 years, expected credit losses would have been NOK 17 million higher. This would reduce pre-tax profit by an equivalent amount.

	Change to parameter	Impact on pre-tax profit/loss
Probability of default compared with central assumption	- 50 %	93
	- 20 %	36
	- 10 %	18
	+ 10 %	- 17
	+ 20 %	- 34
	+ 50 %	- 82
Annual change in house prices and collateral values	- 5 pp.	- 27
	- 2 pp.	- 10
	- 1 pp.	- 5
	+ 1 pp.	5
	+ 2 pp.	10
	+ 5 pp.	24

The table below shows the impact on pre-tax profit of changing the weighting of the optimistic and pessimistic scenarios. For example, if the pessimistic scenario were to be given a 35% weighting, and the optimistic scenario a 15% weighting, expected credit losses would be NOK 10 million higher. This would reduce pre-tax profit by an equivalent amount.

Weighting of Scenario 1: Base	Weighting of Scenario 2: Optimistic	Weighting of Scenario 3: Pessimistic	Impact on pre-tax profit/loss
50 %	5 %	45 %	- 20
50 %	15 %	35 %	- 10
50 %	35 %	15 %	10
50 %	45 %	5 %	20
100 %	0 %	0 %	7
0 %	100 %	0 %	43
0 %	0 %	100 %	- 57

Note 17 Receivables from, and liabilities to, credit institutions/central banks

PARENT COMPANY			CONSOLIDATED	
2022	2023		2023	2022
2443	547	Loans and advances to credit institutions/central banks	534	714
2589	2 593	Sight loans and advances	0	0
		Loans and advances with an agreed maturity or notice period		
5032	3 140	Total loans and advances to credit institutions, measured at amortised cost	534	714
		Debt to credit institutions		
138	229	Sight loans and advances from credit institutions	0	2
		Loans and advances from credit institutions with an agreed maturity or notice period		
502	502		502	502
640	730	Total debt to credit institutions, measured at amortised cost	502	504
		Term to maturity		
		Remaining term to maturity of debt to credit institutions		
138	229	Payable on request/less than one month	0	2
0	0	1-3 months	0	0
0	0	3 months-1 year	0	0
502	502	1-5 years	502	502
640	730	Total	502	504

Note 18 Market risk

Market risk is the risk of asset values changing due to fluctuations in financial markets. For SSF, this risk can be split into five components:

- Interest rate risk is the risk of losses due to changes in market interest rates
- Credit spread risk is the risk of losses due to changes in how financial markets price credit risk
- Currency risk is the risk of losses due to changes in exchange rates
- Equity risk is the risk of the Bank's shareholdings falling in value
- Property risk is the risk of losses due to changes in property prices

Market risk is primarily managed by the Bank's finance department, with the exception of currency risk, which is managed by the capital markets department. The Bank's positions are periodically reported to the Board of Directors, which has also set the limits on market risk. The limits reflect the Bank's risk management strategy, which states that it shall have low exposure to market risk.

The Bank has no trading portfolio, so it is only required to report market risk in accordance with Pillar II. Nevertheless, its holdings of shares and bonds require a capital allocation for Pillar I, consisting of provisions for credit risk.

The amount allocated for Pillar 2 has been calculated using the methods described in Appendix 3 to the Financial Supervisory Authority of Norway's circular 3/2022. These methods are largely based on stress testing to assess changes in market conditions that would have a negative impact on the value of the assets.

Total capital requirement	31.12.2023	31.12.2022
Credit spread risk	59	68
Equity risk	50	59
Interest rate risk	60	60
Currency risk	0	0
Property risk	0	0
Total	169	187

Our limits on currency risk exposure are low, and consequently, with the current methodology, no net provision is made for currency risk. For property risk, the carrying amount of the Bank's properties is lower than their market value, and even in a simulation where property prices fall 30%, as for the Pillar 2 calculation, the provision is zero. When calculating equity risk, a 45% decline in share prices is assumed. The capital allocation for credit spread risk relates to potential falls in the value of interest-bearing securities in the Bank's liquidity portfolio.

The Bank is naturally exposed to interest rate risk. The Bank uses standard interest rate swaps to manage its interest rate risk. The Bank uses short-term interest rate swaps that involve an element of interest rate risk, but it does not have financing in foreign currencies, basis swaps, complex derivatives or other options structures that complicate the calculation of interest rate risk.

To calculate the capital allocation for interest rate risk, the Bank has followed the Financial Supervisory Authority of Norway's guidelines, which consist of 6 different scenarios for actual exposure plus one standard scenario based on the Bank making full use of its limits on exposure. The six scenarios produce the following net changes in the value of loans, borrowings and swaps, assuming an instantaneous change in interest rates:

	31.12.2023
Parallel upward shift, 2 p.p.	- 15
Parallel downward shift, 2 p.p.	17
Long-term interest rates up, 1.5 p.p.	0
Long-term interest rates down, 1.5 p.p.	- 4
Short-term interest rates up, 3 p.p.	- 10
Short-term interest rates down, 3 p.p.	10

The parallel shift involves a shift of 2 percentage point across the whole yield curve, the shift in long-term interest rates applies to the part of the yield curve beyond 7 years, and the shift in short-term interest rates applies to the part of the yield curve up to 0-2 years. The standard scenario based on the Bank making full use of its limits on exposure would give a maximum loss of NOK 60 million in the event of a 2 p.p. shift in interest rates. When calculating the capital allocation, it therefore makes most sense to assume a 2 p.p. parallel shift when the Bank is making full use of its limits on exposure. That results in a capital allocation of NOK 60 million.

Note 18 Market risk (cont.)

The capital allocation for interest rate risk also takes into account the interest rate risk associated with changes in net interest income if interest rates change. Based on the Bank's balance sheet at 31.12.2023, it is estimated that a 2 p.p. increase in interest rates would boost profit after taxation by NOK 92 million. A 2 p.p. fall in interest rates would have a negative post-tax impact of NOK 92 million. The exposure of the Bank is normally such that the overall value of swaps, fixed-rate bonds and fixed-rate loans rises if interest rates fall. This means that the impacts on equity and net interest income are negatively correlated. Based on this assessment, the capital allocation of NOK 60 million for potential valuation losses on equity in the event of making full use of the limits on exposure should be a sufficient allocation for market risk.

Note 19 Liquidity risk

CONSOLIDATED	< 1 month	1-3 months	3-12 months	1-5 years	> 5r years	Perpetual loans	Total
Liquidity risk – remaining term at 31.12.23							
Debt to credit institutions	0	7	20	554	0	0	581
Deposits from/debt to customers	29 696	3 387	2 266	595	0	0	35 944
Debt securities in issue	328	145	4 885	22 070	6 091	0	33 518
Non interest-bearing debt	0	128	128	0	0	326	582
Subordinated debt instruments	5	15	354	998	0	0	1 372
Unused credit facilities and loans not yet drawn	5 358	0	0	0	0	0	5 358
Financial derivatives, gross payments *)	766	749	531	1 186	1 188	0	4 420
Total payments	36 153	4 431	8 183	25 403	7 279	326	81 776
*) Financial derivatives, gross receipts	737	703	521	1 237	996	0	4 194
Financial derivatives, net (negative figure implies net receipts)	30	46	9	- 51	192	0	227

	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Perpetual loans	Total
Liquidity risk – remaining term at 31.12.22							
Debt to credit institutions	0	5	15	562	0	0	583
Deposits from/debt to customers	31 194	2 601	786	303	0	0	34 884
Debt securities in issue	78	548	3 540	21 576	6 799	0	32 541
Non interest-bearing debt	0	94	94	0	0	258	445
Subordinated debt instruments	4	9	234	821	0	0	1 067
Unused credit facilities and loans not yet drawn	6 762	0	0	0	0	0	6 762
Financial derivatives, gross payments *)	1 455	383	316	739	1 355	0	4 248
Total payments	39 494	3 639	4 984	24 001	8 154	258	80 530
*) Financial derivatives, gross receipts	1 442	275	383	713	1 144	0	3 957
Financial derivatives, net (negative figure implies net receipts)	13	108	- 68	27	211	0	291

Note 19 Liquidity risk (cont.)

PARENT COMPANY	< 1	1-3	3-12	1-5	> 5	Perpetual	
Liquidity risk – remaining term at 31.12.23	month	months	months	years	years	loans	Total
Debt to credit institutions	228	7	20	554	0	0	809
Deposits from/debt to customers	29 727	3 387	2 266	595	0	0	35 975
Debt securities in issue	230	36	2 494	6 450	475	0	9 685
Non interest-bearing debt	0	108	108	0	0	333	549
Subordinated debt instruments	5	15	354	998	0	0	1 372
Unused credit facilities and loans not yet drawn	6 650	0	0	0	0	0	6 650
Financial derivatives, gross payments *)	766	749	554	1 623	973	0	4 666
Total payments	37 606	4 302	5 796	10 221	1 449	333	59 707
*) <i>Financial derivatives, gross receipts</i>	737	716	557	1 616	939	0	4 566
<i>Financial derivatives, net</i> (negative figure implies net receipts)	30	33	- 3	7	34	0	100

	< 1	1-3	3-12	1-5	> 5	Perpetual	
Liquidity risk – remaining term at 31.12.22	month	months	months	years	years	loans	Total
Debt to credit institutions	122	5	15	562	0	0	704
Deposits from/debt to customers	31 218	2 601	786	303	0	0	34 908
Debt securities in issue	18	448	944	5 248	1 032	0	7 690
Non interest-bearing debt	0	77	77	0	0	273	426
Subordinated debt instruments	4	9	234	821	0	0	1 067
Unused credit facilities and loans not yet drawn	9 039	0	0	0	0	0	9 039
Financial derivatives, gross payments *)	1 202	301	427	1 374	1 214	0	4 518
Total payments	41 603	3 440	2 482	8 308	2 247	273	58 352
*) <i>Financial derivatives, gross receipts</i>	1 173	273	444	1 361	1 110	0	4 361
<i>Financial derivatives, net</i> (negative figure implies net receipts)	29	28	- 18	13	105	0	157

The tables include interest, based on current interest rates on the reporting date, so it cannot be reconciled with the balance sheet.

Liquidity risk is the risk that the Bank cannot meet its payment obligations when they arise, or replace deposits that are withdrawn, resulting in the Group defaulting on its obligations. Liquidity risk is managed and measured using several methods.

The Board has established a framework that limits the proportion of the Bank's liabilities that mature within certain time periods, and goals for the long-term financing of illiquid assets (liquidity indicator). The Board has also established principles for a liquidity buffer.

Note 20 Net interest income

PARENT COMPANY			CONSOLIDATED	
2022	2023		2023	2022
		Interest income		
102	205	Loans and advances to credit institutions, measured at amortised cost	27	9
716	996	Loans and advances to customers, measured at amortised cost	3 159	1 838
390	876	Loans and advances to customers at fair value through OCI	0	0
109	101	Loans and advances to customers, measured at fair value	104	109
156	314	Interest-bearing securities, measured at fair value	334	140
83	168	Other interest income	165	81
1 556	2 658	Total interest income	3 789	2 176
		Interest expenses		
18	38	Debt to credit institutions, measured at amortised cost	24	12
294	806	Customer deposits/advances, measured at amortised cost	806	294
13	90	Customer deposits/advances, measured at fair value	90	13
85	162	Debt securities in issue, measured at amortised cost	868	442
64	81	Debt securities in issue, measured at fair value	241	147
20	39	Subordinated debt, measured at amortised cost	39	20
- 3	- 12	Derivatives, measured at fair value	56	- 11
71	158	Other interest expenses	157	70
38	38	Contribution to the Norwegian Banks' Guarantee Fund	42	41
600	1 401	Total interest expenses	2 323	1 029
956	1 257	Net interest income	1 466	1 148

Note 21 Net commission income

PARENT COMPANY			CONSOLIDATED	
2022	2023		2023	2022
78	82	Payment services	82	78
27	30	Securities services	30	27
13	16	Guarantee commissions	16	13
5	5	Currency services and international payments	5	5
24	19	Insurance services	19	24
16	15	Other commission income	17	18
164	167	Total commission income	170	166
11	1	Interbank fees	1	11
15	28	Payment services	28	15
5	5	Cash back Visa credit	5	5
31	34	Total commission expenses	34	31
133	134	Net commission income	136	135

Note 22 Net gains on financial instruments

PARENT COMPANY			CONSOLIDATED	
2022	2023		2023	2022
14	13	Net gains/losses on foreign currency	13	14
34	28	Net gains/losses on financial derivatives	21	- 174
- 161	14	Net gains/losses on loans measured at fair value	14	- 162
- 2	4	Net gains/losses on deposits measured at fair value	4	- 2
- 45	16	Net gains/losses on commercial paper and bonds	15	- 48
248	171	Net gains/losses on shares	42	55
122	- 86	Net gains/losses on financial liabilities	- 75	317
210	160	Net gains/losses on financial instruments measured at fair value	34	0

Note 23 Other income

PARENT COMPANY			CONSOLIDATED	
2022	2023		2023	2022
2	2	Income from property	1	1
1	1	Estate agency	29	29
7	8	Mortgage loan business	0	0
1	1	Other operating income	1	1
12	13	Total other income	31	31

Note 24 Operating expenses

PARENT COMPANY			CONSOLIDATED	
2022	2023		2023	2022
181	195	Ordinary wages, salaries, fees, etc.	210	196
24	24	Pension expenses	26	25
40	44	Employer's NI contributions and financial services tax *	46	42
12	11	Other staff-related expenses *	12	13
256	274	Total wages, salaries, etc.	294	276
114	110	IT expenses	113	118
13	14	Marketing	19	20
5	5	Postage, cash transport and telecommunications	5	5
10	11	Office supplies, plastic cards, journals, etc.	11	10
5	6	Travel and training costs	6	6
148	145	Total administration expenses	154	159
16	17	Rent	9	8
- 12	- 13	Rent on IFRS 16 leases	- 7	- 6
8	9	Property expenses	9	8
2	2	Auditor's fee	3	3
4	31	External consultants	29	3
20	27	Other operating expenses	31	24
39	74	Other expenses	75	40
187	219	Total other expenses	229	199
22	18	Depreciation of fixed assets and intangible assets	20	24
11	11	Depreciation of IFRS 16 leases	6	5
- 1	- 3	Gains/losses on the disposal of fixed assets	- 3	- 6
32	26	Depreciation and impairment of fixed assets and intangible assets	23	24
475	519	Total operating expenses	546	499

* Change in how expenses are grouped in the figures for 2022.

Note 25 Pension liabilities

General

The Sparebanken Sogn og Fjordane Group's pension schemes meet its obligations under the Act relating to mandatory occupational pensions. The Group has the following pension schemes:

1. Defined contribution scheme

Sparebanken Sogn og Fjordane has a defined contribution pension scheme. The Group's contributions are 7% of ordinary wages up to 7.1 times the National Insurance Scheme's basic amount "G", and 15% of ordinary wages between 7.1 and 12 times "G". The contributions are paid into a defined contribution pension scheme provided by an insurance company. Employees are free to choose when they want to start receiving their pension, but it cannot be before they turn 62 or after they turn 75. The normal payout period is ten years. The pension contributions plus the accumulated return on them, less management fees, are the property of the individual employee, and pension funds can be inherited if the employee dies before his or her fund has been paid out. The defined contribution pension scheme is not included on the balance sheet. The pension expense for the scheme was NOK 15.6 million in 2023, excluding employer's national insurance contributions. The estimated expense for 2024 is NOK 16.4 million.

2. Compensatory pension

In conjunction with converting our defined benefit pension scheme into a defined contribution scheme in 2016, we agreed to compensate staff for the fact that their future pension funds would be lower than they would have been if the old scheme had been maintained. The compensation scheme is a separate defined contribution scheme (Norw.: *driftspensjon*) that was established on 01.06.2016. The pension fund is built up through an individually fixed contribution that is earned monthly in arrears. The annual contribution goes up by 2.81% each year. Accrued pension fund assets are paid out as a retirement pension. Accrued pension fund assets receive 5.0% in annual interest during the accumulation period, and interest at the prevailing rate on Sparebanken Sogn og Fjordane's savings accounts during the payout period. Accrued assets up to NOK 2.5G are paid out as income when the employee stops working. The total pension liability at 31.12.23 has been made for it in the financial statements. The total expense for 2023 was NOK 6.2 million excluding employer's NI contributions and it is expected to be NOK 6.5 million for 2024.

3. Early retirement scheme (AFP)

Sparebanken Sogn og Fjordane has an early retirement scheme, known as an AFP scheme. For accounting purposes it is considered a multiemployer defined benefit scheme (Norw.: *ytingsbasert fleirføretaksordning*). The AFP scheme is funded through pension premiums, and it is recognised in the accounts as a defined contribution scheme, because the pension liability cannot be reliably measured. Consequently, no provision has been made on the balance sheet for the scheme. The AFP scheme allows employees to take early retirement on reaching the age of 62. The AFP scheme is based on a three-way collaboration between employers' organisations, employees' organisations and the state. The state covers 1/3 of AFP pension expense, while the employer covers the remaining 2/3. Participating entities are jointly and severally liable for 2/3 of the pension benefit payable. This liability applies in the event of both failure to make contributions and premiums proving to be insufficient. All of the Group's employees are covered by the scheme. If early retirement is taken, the annual benefit is calculated based on the employee's qualifying income up to 7.1G up to and including the year in which they turn 61. The scheme is run by the joint AFP administration, which also determines and collects the premiums. In 2023 the premium was 2.6% of salary between 1G and 7.1G, and the rate was unchanged from 2022. The total cost of the scheme in 2023 was NOK 3.9 million, and we estimate that the cost next year will be NOK 4.1 million.

4. Agreement with former CEO (unfunded) Supplementary pension

The former CEO, Arvid Andenæs, left the company on 31 March 2016. He is entitled to a supplementary pension which he will continue to receive annually until reaching the age of 82. NOK 7.5 million of the Bank's pension liabilities at 31.12.2023 related to this pension.

Note 25 Pension liabilities (cont.)

5. Agreement with current CEO (funded)

The current CEO took up his position on 1 April 2016. He is covered by the Group's normal pension schemes, as well as having a supplementary defined contribution scheme and disability pension. Under the agreement for the supplementary defined contribution scheme, the Bank pays an annual pension contribution equivalent to 25% of his basic salary. In order to reduce financial risk and simplify the accounting arrangements, the Bank invests an amount equivalent to the pension contributions in unit trusts through an asset management firm. The supplementary disability pension entitles him to a disability pension equivalent to 70% of his basic salary over and above 12G. The disability pension becomes payable if he is incapable of work for more than 12 months and runs until the month in which he turns 67. The disability pension benefits are guaranteed through insurance premiums paid to an insurance company. The cost of the CEO's pension schemes is shown in Note 26.

Economic assumptions

The Bank used the Norwegian Accounting Standards Board's assumptions as at 31.12.2023 to calculate the liability related to the unfunded agreement with the former CEO.

Parent company and group

There is little difference between the figures for the parent company and group. We have therefore chosen to only show the consolidated figures.

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Economic assumptions for actuarial estimate of agreement with former CEO

	2023	2022
Discount rate	3,70 %	3,20 %
Adjustment of the National Insurance Scheme's basic amount "G"	3,50 %	3,50 %
Adjustment of existing pensions	0,00 %	0,00 %
Employer's NI contributions and 5% financial services tax (average rate)	18,9 %	18,9 %

Demographic assumptions

Life table (death)	K2013 BE	K2013 BE
Life table (disability)	IR02	IR02

ALL AMOUNTS IN MILLIONS OF NOK

Cost of the various pension schemes

	2023	2022
Defined contribution scheme (DNB Liv)	16	14
Compensatory pension (unfunded)	6	6
AFP contributions and other pension schemes	4	5
Net pension cost	26	25

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PENSION LIABILITIES ON THE BALANCE SHEET

	31.12.23	31.12.22
Opening balance	9	9
Pension benefits paid	- 1	- 1
Remeasurements	- 1	0
Total actuarial liabilities at 31 Dec.	8	9
Compensatory pension and other unfunded pension liabilities at 31 Dec.	41	36
Total pension liabilities at 31 Dec. incl. compensatory pension	49	45
Closing balance of pension fund assets at 31 Dec.	0	0
Net pension liabilities (pension liabilities - pension fund assets)	49	45

Note 26 Wages, salaries, etc.

Salaries, fees and other compensation of senior management, directors and committee members

FIGURES IN 000S OF NOK

The Board of Sparebanken Sogn og Fjordane	Fees	Salary	Benefits in kind	Total compensation	Outstanding loans at 31.12.23	Accrued pension expense*
Lise Marie Haugen, Chair since 30.03.2023	292	0	0	292	2 693	0
Sindre Kvalheim, Chair until 30.03.2023	96	0	0	96	4 368	0
Magny Øvrebø, Deputy Chair	215	0	0	215	0	0
Johnny Haugsbakk, member	186	0	0	186	142	0
Geir Opseth, member	186	0	0	186	2 086	0
Monica Rydland, member	172	0	0	173	0	0
Kristian Skibenes, member since 30.03.23	135	0	0	135	4 424	0
Camilla Chruickshank Holvik, employee representative since 30.03.23	127	769	16	912	4 861	54
Ole Martin Eide, employee representative	192	781	8	982	1 461	60
Marie Heieren, employee representative until 30.03.23	77	749	11	838	3 318	52
Total for Board of Directors	1 679	2 299	36	4 015	23 353	166
Senior management team						
Trond Teigene, CEO	0	3 135	248	3 383	4 951	1 152
Frode Vasseeth, CFO	0	1 548	153	1 700	1 765	222
Roy Stian Farsund, Corporate Banking Director	0	1 435	229	1 665	3 710	221
Linda Vøllestad Westbye, Retail Banking Director	0	1 316	171	1 488	17 501	133
Eirik Rostad Ness, HR Director	0	1 323	8	1 331	1 270	167
Johanne Viken Sandnes, Director of Communications	0	1 215	18	1 233	4 574	101
Jill Aase Hole, Acting Technology Director	0	632	12	644	3 926	46
Reiel Haugland, Project Manager SB 1	0	1 323	196	1 519	7 926	162
Silje Sunde, Business Support Director until 31.07.23	0	713	6	719	1 811	59
Total for senior management team	0	12 641	1 041	13 682	47 435	2 261
Other senior roles						
Harald Slettvoll, Director of Risk Management and Compliance	4	1 272	8	1 283	0	162

* Pension expenses are presented exclusive of employer's NICs in the same way as the other forms of compensation presented in this note.

Total for AGM delegates **353** **353** **21 856**

Total loans to other employees **675 045**

Note 26 Wages, salaries, etc. (cont.)

Evaluation of Board of Directors' compensation

Board fees are proposed by the election committee and adopted by the AGM. The Bank's Board fees are considered reasonable and within the normal range for the industry.

Details of variable compensation for managers

No directors, committee members or managers are entitled to variable compensation on terms that are better than those that apply to all of the Bank's employees, and the terms should not provide incentives for taking risks.

Details of CEO's special benefits

The CEO is entitled to a supplementary defined contribution pension scheme and a disability pension scheme. The schemes are described in greater detail in Note 25 "Pension liabilities".

The CEO is also entitled to severance pay for up to 12 months. In accordance with the Working Environment Act, Chapter 15, Section 15-16 (2), the position is not covered by the standard protections against dismissal against dismissal, from the age of 65

Savings programme for employees and directors

In 2022, the Group set up a savings programme for all of its permanent employees. All permanent employees, 281 people in total, were given a starter pack worth up to NOK 13,000 (in proportion to their hours as a percentage of a full-time position) and a one-off payment of NOK 7,000 to cover the related tax expense. In other words, the total value was NOK 20,000. In the future, the savings programme will be an option plan, with one 1 new bonus equity certificate allocated for each equity certificate purchased (up to 50). For purchases of up to a further 100 equity certificates, 1 new bonus equity certificate is allocated for every four certificates bought.

Bonus equity certificates are allocated two years after the purchase and are dependent on the employees still owning the equity certificates and still being employed at the Group.

219 of the Group's permanent employees chose to participate in the savings programme in 2023, compared with 238 the previous year. The savings programme will be available annually to all permanent employees. In other words, employees can buy up to 1,000 equity certificates each year, with the first 150 certificates entitling them to bonus certificates at the end of a two-year lock-in period, as described above.

A provision has been made in the financial statements at 31.12.2023 for the Group's liability for allocating future equity certificates.

PARENT COMPANY		FIGURES IN 000S OF NOK	CONSOLIDATED	
2022	2023		2023	2022
178 962	193 360	WAGES, SALARIES, ETC.	208 386	193 708
1 896	2 039	Wages, salaries and other cash benefits	2 079	1 936
23 640	24 359	Directors and AGM delegates' fees	26 149	25 334
39 781	43 579	Pension expenses	45 930	42 108
12 042	11 054	Employer's NI contributions and financial services tax	11 573	12 722
256 320	274 390	Other social security costs	294 118	275 808
		Total		
2022	2023	AUDITOR'S FEES	2023	2022
895	906	Statutory audits	1 122	1 084
		Other services not related to auditing:		
0	5	- accreditation services	45	0
0	0	- inspection of mortgage subsidiary	87	57
29	97	- other	97	29
924	1 008	Total *	1 351	1 170
		INSPECTION		
0	0	Inspection of mortgage subsidiary	112	0
0	0	Total	112	0
2022	2023	INTERNAL AUDITOR'S FEES	2023	2022
1 495	1 515	Internal auditing	1 515	1 495
1 119	20 916	Other services	20 916	1 119
2 614	22 431	Total *	22 431	2 614

* NOK 95,720 of which is exclusive of VAT (consolidated)

* Change in how wage expenses are grouped in the figures for 2022.

Note 27 Tax expense

PARENT COMPANY

2022	2023	Tax expense
149	211	Tax payable on taxable income
- 1	1	Shortfall (+)/surplus (-) calculated last year
- 11	3,1	Changes to deferred tax
138	214	Tax payable on income
4	5	Tax payable on assets
141	219	Tax expense

CONSOLIDATED

2023	2022
251	183
1	- 1
4	- 9
256	173
5	4
261	177

Reconciliation of nominal and actual tax rates

813	1 051	Profit/loss before taxation	1 108	779
203	263	Estimated income tax based on nominal tax rate (see comment)	271	190

Tax impact of the following items:

- 1	- 1	Shortfall/surplus calculated in previous years	- 1	- 1
17	1	Non-deductible expenses	1	17
- 20	- 19	Other permanent differences related to shares	- 19	- 20
- 48	- 32	Dividends from companies in Group	0	0
- 14	3	Other differences	4	- 14
138	214	Tax payable on income	256	173
16,9 %	20,4 %	Effective tax rate	23,1 %	22,2 %

Change in capitalised deferred tax assets/(liabilities)

18	29	Deferred tax assets/(liabilities) at 1 January	20	11
11	- 3	Change recognised in profit or loss	- 4	9
0	0	Other changes	0	0
29	26	Deferred tax assets (+) deferred tax liabilities (-) at 31 December	16	20

Deferred tax assets and liabilities on the balance sheet relate to the following temporary differences

9	8	Fixed assets	5	6
8	5	Financial instruments	- 1	4
12	13	Net pension liabilities	14	13
0	- 1	Other differences	- 3	- 2
29	26	Net deferred tax assets (+)/deferred tax liabilities (-)	16	20

Deferred tax in the income statement relates to the following temporary differences

0	- 1	Fixed assets	- 1	0
- 10	3	Financial instruments	5	- 8
- 1	1	Net pension liabilities	1	- 1
0	0	Other differences	0	0
- 11	3	Changes in deferred tax through income statement	4	- 9

Comments:

Deferred tax assets are only recognised to the extent that it is probable that it will be possible to offset them against future taxable income.

The parent company's tax rate for tax payable and deferred tax was 25% for both years. The subsidiaries' tax rate was 22% for both years, both for tax payable and deferred tax.

Note 28 Fair value of financial instruments

Method used to calculate fair value of financial instruments

Financial instruments measured at fair value

See Note 1 Accounting Principles.

Financial instruments measured at amortised cost

Market prices are used to price loans and receivables from credit institutions and loans to customers. The value of loans that have been impaired is determined by discounting future cash flows using the internal rate of return based on market conditions for equivalent loans that have not been impaired. For a more detailed explanation of the valuation principles used for loans measured at amortised cost, please refer to Note 1 Accounting principles.

The fair value of short-term liabilities to credit institutions is estimated as being their amortised cost. Long-term liabilities to credit institutions are measured at fair value based on an equivalent interest rate to the one paid by the Bank on its own bonds.

Off balance sheet obligations and guarantees

Other off balance sheet obligations and guarantees are measured at their nominal value. The fair value is shown on the balance sheet under provisions. Mortgaged assets are measured at fair value, cf. Note 1 Accounting principles.

Fair value of financial instruments measured at amortised cost

CONSOLIDATED	Note	Carrying amount 31.12.23	Fair value 31.12.23	Carrying amount 31.12.22	Fair value 31.12.22
ASSETS					
Cash and cash equivalents	3	18	18	19	19
Loans and advances to credit institutions/ central banks	3, 17	534	534	714	714
Loans to customers	3, 7-14	60 577	60 586	57 499	57 499
Total financial assets measured at amortised cost		61 129	61 138	58 232	58 232
LIABILITIES					
Debt to credit institutions	3, 17	502	502	504	504
Deposits from and debt to customers	3, 37	32 327	32 327	33 339	33 339
Debt securities in issue	3, 38	19 965	20 003	19 918	19 879
Subordinated debt instruments	3, 40	705	705	603	603
Total financial liabilities measured at amortised cost		53 500	53 538	54 364	54 326
Off balance sheet obligations and guarantees					
Guarantees	42	1 030	1 030	1 016	1 016
MORTGAGED ASSETS					
Mortgages **)		0	0	0	0

**) Mortgaged assets are bonds and commercial paper mortgaged with Norges Bank as security for F-loans on the reporting date.

Note 28 Fair value of financial instruments (cont.)

	Note	Carrying amount 31.12.23	Fair value 31.12.23	Carrying amount 31.12.22	Fair value 31.12.22
PARENT COMPANY					
ASSETS					
Cash and cash equivalents	3	18	18	19	19
Loans and advances to credit institutions/ central banks	3, 17	3 140	3 140	5 032	5 032
Loans to customers	3, 7-14	17 725	17 725	16 046	16 046
Total financial assets measured at amortised cost		20 883	20 883	21 097	21 097
LIABILITIES					
Debt to credit institutions	3, 17	731	731	640	640
Deposits from and debt to customers	3, 37	32 358	32 358	33 363	33 363
Debt securities in issue	3, 38	4 231	4 259	3 349	3 314
Subordinated debt instruments	3, 40	705	705	603	603
Total financial liabilities measured at amortised cost		38 026	38 054	37 955	37 919
Off balance sheet obligations and guarantees					
Guarantees	42	1 030	1 030	1 016	1 016
MORTGAGED ASSETS					
Mortgages **)		0	0	0	0

**) Mortgaged assets are bonds and commercial paper mortgaged with Norges Bank as security for F-loans on the reporting date.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE**Classification by level**

Assets and liabilities measured at fair value shall be classified according to how reliable the fair value estimate is. There are three classification levels, with level 1 assets having prices quoted in active markets. Level 2 valuations are directly or indirectly based on observable prices for similar assets. Level 3 valuations are not based on observable prices, and instead rely on e.g. our own valuation models.

	Note	Level 1	Level 2	Level 3	Total
CONSOLIDATED 2023					
Loans to customers measured at fair value	3, 7-14	0	0	3 393	3 393
Commercial paper and bonds	3, 29	0	7 627	0	7 627
Financial derivatives	3, 30	0	413	0	413
Shares	3, 31	0	375	359	734
Total financial assets measured at fair value		0	8 416	3 752	12 167
Deposits from and debt to customers at fair value	3, 37	0	0	3 469	3 469
Debt securities measured at fair value	3, 38	0	3 288	0	3 288
Debt securities in issue used as hedging instruments	3, 49	0	4 787	0	4 787
Financial derivatives	3, 30	0	614	0	614
Total financial liabilities measured at fair value		0	8 689	3 469	12 158
CONSOLIDATED 2022					
Loans to customers measured at fair value	3, 7-14	0	0	3 685	3 685
Commercial paper and bonds	3, 29	0	7 467	0	7 467
Financial derivatives	3, 30	0	375	0	375
Shares	3, 31	0	366	392	758
Total financial assets measured at fair value		0	8 208	4 077	12 285
Deposits from and debt to customers at fair value	3, 37	0	0	1 507	1 507
Debt securities measured at fair value	3, 38	0	2 467	0	2 467
Debt securities in issue used as hedging instruments	3, 49	0	4 784	0	4 784
Financial derivatives	3, 30	0	612	0	612
Total financial liabilities measured at fair value		0	7 863	1 507	9 370

Note 28 Fair value of financial instruments (cont.)

PARENT COMPANY 2023	Note	Level 1	Level 2	Level 3	Total
Loans to customers measured at fair value	3, 7-14	0	0	3 393	3 393
Loans to customers measured at fair value through OCI	3, 7-14	0	0	17 770	17 770
Commercial paper and bonds	3, 29	0	7 194	0	7 194
Financial derivatives	3, 30	0	741	0	741
Shares	3, 31	0	375	359	734
Total financial assets measured at fair value		0	8 310	21 522	29 832
Deposits from and debt to customers at fair value	3, 37	0	0	3 469	3 469
Debt securities measured at fair value	3, 38	0	3 288	0	3 288
Financial derivatives	3, 30	0	669	0	669
Total financial liabilities measured at fair value		0	3 957	3 469	7 426

PARENT COMPANY 2022	Note	Level 1	Level 2	Level 3	Total
Loans to customers measured at fair value	3, 7-14	0	0	3 685	3 685
Loans to customers measured at fair value through OCI	3, 7-14	0	0	13 542	13 542
Commercial paper and bonds	3, 29	0	7 259	0	7 259
Financial derivatives	3, 30	0	716	0	716
Shares	3, 31	0	366	392	758
Total financial assets measured at fair value		0	8 341	17 619	25 961
Deposits from and debt to customers at fair value	3, 37	0	0	1 507	1 507
Debt securities measured at fair value	3, 38	0	2 467	0	2 467
Financial derivatives	3, 30	0	680	0	680
Total financial liabilities measured at fair value		0	3 147	1 507	4 654

BREAKDOWN OF CHANGES IN LEVEL 3 IN 2023

CONSOLIDATED	Loans to customers	Shares	Deposits from and debt to customers
Opening balance	3 685	392	1 507
Gains or losses	14	- 35	- 4
through profit or loss	0	0	0
recognised in equity	0	0	0
Acquisitions over the period	0	23	1 966
Sales/redemptions over the period	- 306	- 12	0
Moved into level 3	0	0	0
Moved out of level 3	0	- 10	0
Closing balance	3 393	359	3 469

PARENT COMPANY	Loans to customers	Loans to customers through OCI	Shares	Deposits from and debt to customers
Opening balance	3 685	13 542	392	1 507
Gains or losses	14	0	- 35	- 4
through profit or loss	0	0	0	0
recognised in equity	0	0	0	0
Acquisitions over the period	0	0	23	1 966
Sales/redemptions over the period	- 306	4 229	- 12	0
Moved into level 3	0	0	0	0
Moved out of level 3	0	0	- 10	0
Closing balance	3 393	17 770	359	3 469

Note 28 Fair value of financial instruments (cont.)

Loans to customers and customer deposits measured at fair value comprise fixed-rate loans and deposits. The acquisitions/purchases or sales/redemptions shown for the period represent the net change excluding changes in market value. Fixed-rate deposits and fixed-rate loans are valued based on discounted cash flows. The discount rate that we use is supposed to represent the interest rate on an equivalent new product issued at the reporting date, with the same term and cash flow. To help us value retail loans, we use the fixed rates offered by a representative sample of our competitors. For the corporate market we use our own internal calculation models for those products.

Sensitivity analysis, level 3

For fixed-rate deposits the average remaining term is approximately 0.6 years. Using a simple duration-based approach, a 1% fall in interest rates will increase the value of our fixed-rate deposits by approximately NOK 19.3 million. For fixed-rate loans the weighted average remaining term is approx. 3.4 years. Calculated simply, a 1% rise in the discount rate will reduce the value of our fixed-rate loans by approximately NOK 116 million.

Shares defined as level 3 assets are not listed on a stock exchange, have no known transactions and are shares for which the Bank has no observable assets that can be used for valuation purposes. In such cases we use our own valuations based on discounted cash flows or an analysis of key figures. For companies valued using a cash flow model, a required rate of return on equity of 10.8% has been used. A 10% reduction in the price to book ratio of a company valued using key figures and a 1 percentage point increase in the required rate of return in the cash flow models would cut the value by approx. NOK 78.4 million.

Note 29 Bonds, commercial paper and other interest-bearing securities

PARENT COMPANY			CONSOLIDATED	
2022	2023		2023	2022
1 827	2 075	Government and state-owned enterprises	2 251	1 933
80	0	Municipal and mun. auth. backed bonds/comm. paper	0	80
5 285	5 097	Covered bonds	5 354	5 386
50	0	Fin. inst., other bonds/commercial paper	0	50
18	22	Other bonds/commercial paper	22	18
7 259	7 194	Total securities at fair value	7 627	7 467
7 241	7 172	Stock exchange listed securities	7 605	7 449
18	22	Unlisted securities	22	18
7 259	7 194	Total	7 627	7 467
0,15	0,15	Modified duration (years)	0,15	0,15
3,59	5,39	Weighted average effective interest rate	5,38	3,59

Maturity structure of investments in bonds and commercial paper

PARENT COMPANY				CONSOLIDATED		
Carrying amount	Face value			Face value	Carrying amount	
2022	2023	2023	Maturity year	2023	2023	2022
624	0	0	2023	0	0	624
962	645	642	2024	642	645	962
1 349	1 671	1 659	2025	1 814	1 827	1 349
1 763	1 638	1 610	2026	1 710	1 740	1 865
2 561	1 912	1 856	2027	1 956	2 017	2 667
0	1 305	1 295	2028	1 365	1 376	0
0	5	5	2033	5	5	0
0	18	18	2034	18	18	0
7 259	7 194	7 084	Total	7 509	7 627	7 467

All securities are NOK-denominated.

The weighting used to calculate the average effective interest rate for the whole portfolio is based on the individual security's share of the overall interest rate sensitivity.

The Board of Directors of Sparebanken Sogn og Fjordane has decided that at least 60% of its investments in securities shall have a rating of AAA/government-backed and a maximum of 40% shall have an AA rating.

At 31.12.2023, 97% of its investments were in AAA/government-backed securities.

Note 30 Financial derivatives

Sparebanken Sogn og Fjordane trades in financial derivatives in conjunction with hedging and managing market risk and in its dealings with customers.

CONSOLIDATED	Total nominal values	2023		Total nominal values	2022	
		Positive market valu	Negative market value		Positive market value	Negative market value
Interest rate contracts						
Swaps	16 225	393	602	14 401	368	594
Total interest rate contracts	16 225	393	602	14 401	368	594
Foreign exchange contracts						
Forwards and swaps	1 365	20	12	1 477	7	18
Total foreign exchange contracts	1 365	20	12	1 477	7	18
Total financial derivatives	17 590	413	614	15 878	375	612

Note 30 Financial derivatives (cont.)

	Total nominal values	2023 Positive market value	Negative market value	Total nominal values	2022 Positive market value	Negative market value
PARENT COMPANY						
Interest rate contracts						
Swaps	21 250	721	656	19 426	709	663
Total interest rate contracts	21 250	721	656	19 426	709	663
Foreign exchange contracts						
Forwards and swaps	1 365	20	12	1 477	7	18
Total foreign exchange contracts	1 365	20	12	1 477	7	18
Total financial derivatives	22 615	741	669	20 903	716	680

Note 31 Shares

PARENT COMPANY			CONSOLIDATED	
2022	2023	Shares measured at fair value	2023	2022
2	3	Stock exchange listed shares	3	2
756	731	Unlisted shares	731	756
758	734	Total shares measured at fair value	734	758

2023

Breakdown of shares

Shares measured at fair value

Financial institutions, listed

Visa Inc.

Financial institutions, listed

Financial institutions, unlisted

Frende Holding AS *)

SpareBank 1 Finans Midt-Norge AS

SpareBank 1 Mobilitet AS

Eksportfinans ASA

Eiendoms kreditt AS

Balder Betaling AS

Kredittforeningen for Sparebanker

Visa Norge

Financial institutions, unlisted

Other unlisted companies

Hotel Alexandra AS

Other unlisted shares

Other unlisted companies

Total shares measured at fair value

Number of
shares

FIGURES IN 000S OF NOK

Market value/
carrying amount

1 132

2 998

2 998

667 683

365 603

9 720

118 662

81

8

3 478

68 611

348 955

52 010

3 110 665

95 373

3 220

3 967

9 647

713 882

15 000

12 587

4 683

17 270**734 150**

*) The Bank is in the process of selling its shares in Frende Holding. The other shareholders in Frende have expressed their desire to exercise their pre-emptive rights, but as of 31.12.2023 the parties had not reached agreement on the valuation of the company. While it awaits the completion of this process, the Bank has assessed that it does not have a better estimate of the value than the current carrying amount, which is the same as the transaction value from 2022.

Note 31 Shares (cont.)

2022

Breakdown of shares

Shares measured at fair value

Financial institutions, listed

Visa Inc.

Number of
shares

FIGURES IN 000S OF NOK

Market value/
carrying amount

1 132

2 318

Financial institutions, listed

2 318

Financial institutions, unlisted

Frende Holding AS *)

667 683

365 603

SpareBank 1 Finans Midt-Norge AS

8 400

111 384

Eksportfinans ASA

3 478

68 174

Eiendomskreditt AS

348 955

49 593

Eikagruppen

113 674

29 555

Balder Betaling AS

2 788 842

93 705

Kredittforeningen for Sparebanker

3 220

3 767

Norne Securitas AS

1 170 866

4 435

Visa Norge

7 883

Financial institutions, unlisted

734 099

Other unlisted companies

Hotel Alexandra AS

15 000

16 862

Other unlisted shares

4 810

Other unlisted companies

21 671

Total shares measured at fair value

758 088

*) For the value of our investment in Frende at 31.12.2022, we have used the transaction value from March 2022 less dividends received in 2022.

Note 32 Subsidiaries and associates

Subsidiaries	PARENT COMPANY	
	2023	2022
Balance at 1 January	2 212	1 812
Acquired/revaluation gains	0	400
Disposed of	0	0
Balance at 31 December	2 212	2 212

Associates	CONSOLIDATED		PARENT COMPANY	
	2023	2022	2023	2022
Balance at 1 January	3	3	3	3
Acquired	0	0	0	0
Disposed of/impairments	- 2	0	- 2	0
Balance at 31 December	0	3	0	3

	PARENT COMPANY		FIGURES FROM SUBSIDIARIES			
	Ownership interest/share of voting rights	Carrying amount	Assets	Liabilities	Revenue	Profit
Bankeigedom Sogn og Fjordane AS	100 %	54	46	7	8	4
Eigedomsmekling Sogn og Fjordane AS	100 %	8	22	8	31	1
Bustadkreditt Sogn og Fjordane AS	100 %	2 150	25 807	23 502	214	143
Investments in subsidiaries		2 212	25 876	23 517	253	149

Allocated dividends from subsidiaries are included on the balance sheet as equity in accordance with IFRS.

Loans to, and deposits from, subsidiaries at 31.12.23:	Bonds	Loans	Deposits	Interest paid on loans	Interest received
Bankeigedom Sogn og Fjordane AS	0	0	20	0	0
Eigedomsmekling Sogn og Fjordane AS	0	0	12	0	0
Bustadkreditt Sogn og Fjordane AS	0	2 606	229	180	15
Total loans to, and deposits from, subsidiaries	0	2 606	261	180	15

Note 33 Intangible assets and goodwill

2023

CONSOLIDATED

	Software	Goodwill	Total
Carrying amount at 01.01.23	11	5	16
Acquired	5	0	5
Disposed of	0	0	0
Depreciation and impairment of assets	- 8	- 3	- 11
Carrying amount at 31.12.23	8	2	9

Acquisition cost	154	22	177
Accumulated depreciation and impairment losses	- 147	- 21	- 167
Carrying amount at 31.12.23	8	2	9
Useful life	3-5 years		
Depreciation method	Linear		

PARENT COMPANY

	Software	Goodwill	Total
Carrying amount at 01.01.23	11	3	14
Acquired	5	0	5
Disposed of	0	0	0
Depreciation and impairment of assets	- 8	- 3	- 11
Carrying amount at 31.12.23	8	0	8

Acquisition cost	152	21	173
Accumulated depreciation and impairment losses	- 145	- 21	- 165
Carrying amount at 31.12.23	8	0	8
Useful life	3-5 years		
Depreciation method	Linear		

Goodwill

The goodwill on the balance sheet relates to the acquisition of Sogn Eigedomskontor in 2007, the merger with Fjaler Sparebank in 2010 and the acquisition of a portfolio of residential mortgage loans in 2018.

Note 33 Intangible assets and goodwill (cont.)

2022

CONSOLIDATED

	Software	Goodwill	Total
Carrying amount at 01.01.22	18	8	26
Acquired	5	0	5
Disposed of	0	0	0
Depreciation and impairment of assets	- 12	- 4	- 15
Carrying amount at 31.12.22	11	5	16

Acquisition cost	150	21	170
Accumulated depreciation and impairment losses	- 139	- 16	- 155
Carrying amount at 31.12.22	11	5	16

Useful life 3-5 years

Depreciation method Linear

PARENT COMPANY

	Software	Goodwill	Total
Carrying amount at 01.01.22	18	6	24
Acquired	5	0	5
Disposed of	0	0	0
Depreciation and impairment of assets	- 11	- 4	- 15
Carrying amount at 31.12.22	11	3	14

Acquisition cost	148	21	168
Accumulated depreciation and impairment losses	- 137	- 18	- 154
Carrying amount at 31.12.22	11	3	14

Useful life 3-5 years

Depreciation method Linear

Goodwill

The goodwill on the balance sheet relates to the acquisition of Sogn Eigedomskontor in 2007, the merger with Fjaler Sparebank in 2010 and the acquisition of a portfolio of residential mortgage loans in 2018.

Note 34 Fixed assets

2023

CONSOLIDATED

	Buildings and other real property	Machinery, fixtures, fittings and vehicles	Total
Carrying amount at 01.01.23	56	13	69
Acquired	4	12	16
Disposed of	- 1	- 1	- 2
Depreciation	- 3	- 5	- 8
Carrying amount at 31.12.23	56	19	75
Acquisition cost	109	71	180
Accumulated depreciation and impairment losses	- 53	- 52	- 105
Carrying amount at 31.12.23	56	19	75
Useful life	20-30 years	3-8 years	
Depreciation method	Linear	Linear	

The total fixed assets on the balance sheet at 31 December must be viewed in conjunction with Note 35 (IFRS 16).

PARENT COMPANY

	Buildings and other real property	Machinery, fixtures, fittings and vehicles	Total
Carrying amount at 01.01.23	26	12	38
Acquired	4	11	15
Disposed of	- 1	- 1	- 1
Depreciation	- 2	- 5	- 7
Carrying amount at 31.12.23	27	18	45
Acquisition cost	41	68	109
Accumulated depreciation and impairment losses	- 13	- 50	- 64
Carrying amount at 31.12.23	27	18	45
Useful life	20-30 years	3-8 years	
Depreciation method	Linear	Linear	

2022

CONSOLIDATED

	Buildings and other real property	Machinery, fixtures, fittings and vehicles	Total
Carrying amount at 01.01.22	55	14	69
Acquired	15	5	20
Disposed of	- 7	0	- 8
Depreciation	- 7	- 6	- 12
Carrying amount at 31.12.22	56	13	69
Acquisition cost	102	60	162
Accumulated depreciation and impairment losses	- 46	- 47	- 93
Carrying amount at 31.12.22	56	13	69
Useful life	20-30 years	3-8 years	
Depreciation method	Linear	Linear	

The total fixed assets on the balance sheet at 31 December must be viewed in conjunction with Note 35 (IFRS 16).

PARENT COMPANY

	Buildings and other real property	Machinery, fixtures, fittings and vehicles	Total
Carrying amount at 01.01.22	16	13	29
Acquired	15	5	20
Disposed of	- 4	0	- 4
Depreciation	- 2	- 6	- 7
Carrying amount at 31.12.22	26	12	38
Acquisition cost	39	59	97
Accumulated depreciation and impairment losses	- 13	- 47	- 59
Carrying amount at 31.12.22	26	12	38
Useful life	20-30 years	3-8 years	
Depreciation method	Linear	Linear	

Note 35 IFRS 16 Leases

CONSOLIDATED

Right-of-use assets

The Group's leased assets include office premises and vehicles. The Group's right-of-use assets are classified and presented in the table below:

	2023			2022		
	Buildings/ offices	Vehicles	Total	Buildings/ offices	Vehicles	Total
Right-of-use assets						
Cost at 1 Jan.	40	5	44	38	4	42
Acquisitions of right-of-use assets	13	1	14	2	0	2
Transfers and reclassifications	- 1	0	- 1	0	0	0
Cost at 31 Dec.	52	6	58	40	5	44
Accumulated depreciation and impairment losses at 1 Jan.	21	4	25	16	4	20
Depreciation	5	0	6	5	1	5
Accumulated depreciation and impairment losses at 31 Dec.	26	5	31	21	4	25
Carrying amount of right-of-use assets at 31 Dec.	25	1	27	19	0	19

Lease liabilities

Undiscounted lease liabilities and maturity structure

	2023	2022
Less than 1 year	7	5
1-5 years	18	13
More than 5 years	6	2
Total undiscounted lease liabilities at 31 Dec.	31	21

Change in lease liabilities

Opening balance at 1 Jan.	20	23
New/Revised lease liabilities recognised during the period	14	2
Repayments of principal	- 6	- 5
Interest payments	1	1
Other	- 2	0
Total lease liabilities at 31 Dec.	27	20
Current lease liabilities	6	5
Non-current lease liabilities	21	15

Other lease expenses recognised in the income statement

Variable lease payments expensed in the period	9	8
Total lease expenses included under other operating expenses	9	8

A discount rate of 4.75 % was used in the calculations.

A 1 percentage point reduction in the discount rate would increase the lease liabilities of the parent company by NOK 0.673 million.

A 1 percentage point increase in the discount rate would reduce the lease liabilities of the parent company by NOK 0.709 million.

Note 35 IFRS 16 Leases (cont.)

PARENT COMPANY

Right-of-use assets

The parent company's leased assets include buildings, offices and vehicles. The parent company's right-of-use assets are classified and presented in the table below:

	2023			2022		
	Buildings/ offices	Vehicles	Total	Buildings/ offices	Vehicles	Total
Right-of-use assets						
Cost at 1 Jan.	87	5	91	85	4	90
Acquisitions of right-of-use assets	13	1	14	2	0	2
Transfers and reclassifications	- 2	0	- 2	0	0	0
Cost at 31 Dec.	98	6	104	87	5	91
Accumulated depreciation and impairment losses at 1 Jan.	46	4	50	36	4	39
Depreciation	11	0	11	10	1	11
Accumulated depreciation and impairment losses at 31 Dec.	57	5	62	46	4	50
Carrying amount of right-of-use assets at 31 Dec.	41	1	42	41	0	41

Lease liabilities

Undiscounted lease liabilities and maturity structure

	2023	2022
Less than 1 year	13	11
1-5 years	30	31
More than 5 years	6	2
Total undiscounted lease liabilities at 31 Dec.	49	45

Change in lease liabilities

Opening balance at 1 Jan.	43	52
New/Revised lease liabilities recognised during the period	14	2
Repayments of principal	- 11	- 11
Interest payments	2	1
Other	- 3	- 1
Total lease liabilities at 31 Dec.	44	43
Current lease liabilities	12	10
Non-current lease liabilities	33	32

Other lease expenses recognised in the income statement

Variable lease payments expensed in the period	17	16
Total lease expenses included under ther operating expenses	17	16

A discount rate of 4.75 % was used in the calculations.

A 1 percentage point reduction in the discount rate would increase the lease liabilities of the parent company by NOK 0.900 million.

A 1 percentage point increase in the discount rate would reduce the lease liabilities of the parent company by NOK 0.942 million.

Note 36 Other assets

PARENT COMPANY			CONSOLIDATED	
31.12.22	31.12.23		31.12.23	31.12.22
0	0	Earned income not received	0	12
26	18	Other payments made in advance, not yet accrued	25	35
133	106	Various expenditures/stock	107	133
159	124	Total other assets	132	180

Note 37 Customer deposits

CONSOLIDATED

There is little difference between the figures for the parent company and group. Consequently, we have chosen to only show the consolidated figures.

	2023		2022	
	Deposits	Percentage	Deposits	Percentage
Customer deposits, at amortised cost	32 327	90,3 %	33 339	95,7 %
Customer deposits, designated at fair value *)	3 469	9,7 %	1 507	4,3 %
Deposits from and debt to customers	35 796	100,0 %	34 846	100,0 %

*) Fixed-rate bonds are measured at market value. Their market value was NOK 1.4 million lower than their face value at 31.12.2023, compared with NOK 2.3 million higher at 31.12.2022. The NOK 3.7 million valuation gain on these deposits in 2023 was recognised in the income statement.

	2023		2022	
Deposits by sector and industry	Deposits	Percentage	Deposits	Percentage
Wage and salary earners	21 698	60,6 %	20 756	59,6 %
Farming and forestry	632	1,8 %	582	1,7 %
Fishing and hunting	623	1,7 %	753	2,2 %
Fish farming and hatcheries	651	1,8 %	779	2,2 %
Industry and mining	1 004	2,8 %	853	2,4 %
Construction, civil engineering and power generation	2 227	6,2 %	2 241	6,4 %
Commerce/retail	1 154	3,2 %	1 090	3,1 %
Transport, property management and services	5 650	15,8 %	5 147	14,8 %
Public sector/other	2 157	6,0 %	2 646	7,6 %
Total deposits by sector and industry	35 796	100,0 %	34 846	100,0 %

Deposits by sector:

Retail market	21 699	60,6 %	20 760	59,6 %
Corporate Market	11 940	33,4 %	11 441	32,8 %
Public sector/other	2 157	6,0 %	2 646	7,6 %
Total deposits by sector	35 796	100,0 %	34 846	100,0 %

Geographic distribution

Vestland	31 378	87,7 %	30 237	86,8 %
Oslo	1 738	4,9 %	1 941	5,6 %
Viken	1 034	2,9 %	917	2,6 %
Møre og Romsdal	657	1,8 %	673	1,9 %
Other	988	2,8 %	1 079	3,1 %
Total deposits by region	35 796	100,0 %	34 846	100,0 %

Term and sight deposits

	2023	2022
Sight deposits	28 583	25 689
Term deposits	7 212	9 158
Total customer deposits	35 796	34 846

Note 38 Debt securities in issue

CONSOLIDATED	Face value		Carrying amount	
	31.12.23	31.12.22	31.12.23	31.12.22
Bonds in issue	18 717	18 341	18 911	18 509
- of which own bonds, not amortised	- 354	0	- 358	0
Debt securities in issue at amortised cost	18 363	18 341	18 553	18 509
Bonds in issue (MREs)	1 400	1 400	1 413	1 409
- of which own bonds, not amortised	0	0	0	0
Debt securities in issue (MREs) at amortised cost	1 400	1 400	1 413	1 409
Bonds in issue (MREs)	1 350	800	1 282	721
- of which own bonds, not amortised	0	0	0	0
Debt securities (MREs) measured at fair value	1 350	800	1 282	721
Bonds in issue	7 025	6 825	6 793	6 530
- of which own bonds, not amortised	0	0	0	0
Debt securities measured at fair value	7 025	6 825	6 793	6 530
Total debt securities in issue	28 138	27 366	28 040	27 169

Maturity structure of debt securities (net face value)	31.12.23	31.12.22
2023	0	3 041
2024	3 263	4 100
2025	6 800	4 800
2026	5 000	4 000
2027	6 500	5 400
2028	1 100	800
2029	1 250	1 000
2030	1 000	1 000
2031	200	200
2032	525	525
2033	1 000	1 000
2034	1 000	1 000
2037	500	500
Total debt securities (net face value)	28 138	27 366

New debt securities issued in 2023	5 050
Net repayment of debt securities in 2023	3 504

At 31.12.2023 the Bank was not in breach of any of its covenants.

Breakdown of credit risk for debt securities measured at fair value

(Excluding own bonds held and borrowings for which hedge accounting is applied)

	31.12.23	31.12.22
Amortised cost	3 275	2 559
Fair value adjustment*)	12	- 92
Market value/carrying amount	3 288	2 467
*) Of which change in own credit risk	- 7	- 33

The fair value adjustment due to changes in the company's credit risk is part of the change in fair value that is not attributable to changes in underlying market interest rates. For bonds in issue, the change in fair value due to credit risk is the difference between the two fair values obtained if you use two different discount rates:

- 1) The relevant market interest rate on the balance sheet date plus the credit spread on the date of initial recognition, and
- 2) The relevant market interest rate on the balance sheet date plus the credit spread on the balance sheet date.

Note 38 Debt securities in issue (cont.)

PARENT COMPANY

Debt securities in issue by valuation method (carrying amount)

	CARRYING AMOUNT	
	31.12.23	31.12.22
Debt securities in issue at amortised cost	2 818	1 940
Debt securities in issue (MRELS) at amortised cost	1 413	1 409
Debt securities measured at fair value	2 006	1 746
Debt securities (MRELS) measured at fair value	1 282	721
Total debt securities in issue	7 519	5 817

The Bank uses hedge accounting for three fixed-rate covered bonds issued by its subsidiary Bustadkreditt Sogn og Fjordane AS. There is a ratio of virtually 1:1 between the hedged items (the bonds) and the hedging instruments (the interest rate swaps).

Note 39 Other liabilities and provisions

PARENT COMPANY

			CONSOLIDATED	
31.12.22	31.12.23	OTHER LIABILITIES	31.12.23	31.12.22
31	40	Other liabilities	40	31
136	183	Accrued costs and advance income	190	142
167	223	Total other liabilities	230	173
		PROVISIONS		
43	46	Pension liabilities	49	45
20	19	Specified provisions for guarantees and undrawn credit facilities	20	20
43	44	Lease liabilities under IFRS	27	20
106	110	Total provisions	96	85
273	333	Total other liabilities and provisions	326	258

Note 40 Subordinated debt and hybrid debt instruments

		31.12.23			Final		
		Face value	Interest rate	Early redemption	matu- rity	Carrying amount	
Year issued		(millions)		right	date	31.12.23	31.12.22
2018	Subordinated debt instruments	0	3 MTH NIBOR +1,48%	call option 20.06.23	Year 2028	0	200
2018	Subordinated debt instruments	200	3 MTH NIBOR +1,65%	call option 16.04.24	Year 2029	203	202
2019	Subordinated debt instruments	200	3 MTH NIBOR +1,48%	call option 20.05.25	Year 2030	201	201
2023	Subordinated debt instruments	300	3 MTH NIBOR +1,85%	call option 08.09.28	Year 2033	301	0
		700				705	603
2019	Hybrid debt	100	3 MTH NIBOR + 3,14%	call option 28.11.24	Perpetual	101	101
2021	Hybrid debt	150	3 MTH NIBOR + 2,40%	call option 02.09.26	Perpetual	151	151
2022	Hybrid debt	100	3 MTH NIBOR + 2,60%	call option 27.01.27	Perpetual	101	101
2023	Hybrid debt	100	3 MTH NIBOR + 4,00%	call option 15.09.28	Perpetual	100	0
		450				453	352

The hybrid debt instruments are classified as hybrid capital and included under equity at 31.12.2023, as they don't satisfy the criteria for financial liabilities under IAS 32.

The terms of the hybrid debt mean that it is perpetual, so the holders cannot demand that it be redeemed. In specific circumstances, the issuer may cease to make interest payments.

The hybrid debt forms part of the Bank's core capital.

Average interest rate on the subordinated debt at 31.12.2023: 6.67%

Average interest rate on hybrid debt at 31.12.2023: 7.65%

Note 41 Branch network

Figures at 31 Dec.	2023	2022	2021	2020	2019	2018	2017	2016
Branches	13	13	13	14	14	14	14	23
In-store agreements	0	1	1	21	21	20	25	23
Cash points	9	9	12	12	12	12	13	15
Businesses signed up to Internet banking	4 711	3 579	2 950	1 742	1 264	1 046	977	908
Retail customers signed up to Internet banking	83 321	79 520	77 136	73 651	75 545	72 650	68 892	65 144

Note 42 Off-balance-sheet items

PARENT COMPANY

31.12.22	31.12.23	Guarantees
680	691	Payment guarantees
272	277	Contract guarantees
61	62	Other guarantee liabilities
3	0	Commitments to investments in shares
1 016	1 030	Total in NOK

CONSOLIDATED

31.12.23	31.12.22
691	680
277	272
62	61
0	3
1 030	1 016

31.12.23

FIGURES IN 000S OF NOK

Of which in foreign currency:

	EUR	DKK	USD	Total foreign currency translated into NOK
Payment guarantees	3 849	625	0	44 361
Contract guarantees	0	0	28	285
Total	3 849	625	28	44 646

Note 43 Related parties

Balances and gains/losses on transactions with related parties

	Subsidiaries	
	2023	2022
Outstanding loan balances at 31 Dec.	2 606	4 319
Interest income	181	95
Deposits at 31 Dec.	260	159
Interest expenses	15	7
Covered bonds	0	0
Interest income from covered bonds	0	22
Other operating income	11	10
Other operating expenses	10	9

The table above relates to Sparebanken Sogn og Fjordane's three wholly-owned subsidiaries. These are:

Subsidiaries

Bustadkreditt Sogn og Fjordane AS
 Bankeigedom Sogn og Fjordane AS
 Egedomsmeikling Sogn og Fjordane AS

Bustadkreditt Sogn og Fjordane AS has signed an agreement with Sparebanken Sogn og Fjordane on the supply of loan servicing and administrative services. All of the Company's loans have been acquired from Sparebanken Sogn og Fjordane, and an agreement has been signed with the bank on the servicing of the portfolio. Bustadkreditt Sogn og Fjordane AS takes on all of the risk associated with the loans that it acquires from its parent. Bustadkreditt Sogn og Fjordane AS has been given access to good credit facilities with Sparebanken Sogn og Fjordane. These will allow it to make interest and principal payments to the owners of covered bonds, enable it to make advances to customers with flexible mortgages, provide bridge financing when loans are being transferred, and fund the necessary surplus in the cover pool.

Note 43 Related parties (cont.)

Further details of the credit facilities:

Bustadkreditt Sogn og Fjordane AS (BSF) has four credit facilities with Sparebanken Sogn og Fjordane (SSF):

- a) A NOK 1,200 million credit facility to be used to settle the purchase of mortgage loans from SSF. This is a revolving credit facility with a 15-month notice period on the part of SSF. BSF can cancel or change the limit on the facility with SSF at 14 days' notice. At 31.12.2023, the amount drawn against the facility was NOK 0.533 million.
- b) A credit facility that can be used to finance advances to customers with available credit within their flexible mortgages. At 31.12.2023 the limit on the facility was NOK 2,199 million.
- c) A credit facility related to overcollateralisation. The facility shall only be used to buy loans for inclusion in the cover pool, and to buy instruments that qualify as part of a liquidity buffer. At 31.12.2023, the limit on the facility was NOK 1,675 million, but this limit depends on the volume of covered bonds issued at any given time.
- d) A long-term credit facility. The limit on the facility is NOK 1,000 million, which was fully drawn at 31.12.2023

In addition to these four credit agreements, Bustadkreditt and Sparebanken Sogn og Fjordane have signed an ISDA agreement. The ISDA agreement regulates all derivative transactions between the parties. The ISDA agreement has the same structure as agreements between Sparebanken and external entities, which means that changes in the value of interest rate swaps are measured daily and there is an exchange of collateral. When fixed-rate covered bonds are issued, SSF hedges the relevant amount with an external party and then performs an internal swap with Bustadkreditt.

The parent company leases premises from Bankeigedom Sogn og Fjordane AS.

All agreements and transactions adhere to arm's length principles.

Under IAS 24, we must collect the necessary information to ascertain whether there are any transactions between Sparebanken Sogn og Fjordane and companies owned by senior managers at the Bank or elected officers at companies in the Group. A record has been made of all of the ownership interests held by Sparebanken Sogn og Fjordane's related parties, who are defined as the Group's senior management team, the Board of the Bank, the Board of Bustadkreditt Sogn og Fjordane AS, the Board and Managing Director of Sparebankstiftinga Sogn og Fjordane and the Managing Director of Bustadkreditt Sogn og Fjordane AS. For these people and their close family members, information has been collected about any ownership interests of more than 20 percent in any type of enterprise. The information collected shows that one company supplied services to Sparebanken Sogn og Fjordane in 2023. Sparebanken Sogn og Fjordane rents offices from one of the companies defined as a related party, and the agreement adheres to arm's length principles. In 2023, NOK 0.65 million was paid in rent and shared expenses for the premises. Sparebanken Sogn og Fjordane's balance sheet at 31.12.2023 includes no open items related to this supplier. Fourteen companies where related parties hold ownership interests of more than 20 percent are customers of the Bank. The total outstanding balance of the loans to these companies was NOK 25.7 million at 31.12.2023, while their deposits totalled NOK 7.1 million. NOK 1.8 million of interest was paid on these loans in 2023. The interest received on their deposits was NOK 0.03 million. None of these companies have been given special terms.

Note 44 Expected incomings (assets) and outgoings (liabilities)

CONSOLIDATED 2023

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
ASSETS						
Cash and cash equivalents	18	0	0	0	0	18
Loans and advances to credit institutions/central banks	534	0	0	0	0	534
Loans to customers	7 793	55	258	2 332	53 533	63 970
Commercial paper and bonds	0	0	645	6 960	22	7 627
Financial derivatives	0	0	0	413	0	413
Shares	0	0	0	0	734	734
Investments in associates	0	0	0	0	0	0
Investments in subsidiaries	0	0	0	0	0	0
Intangible assets and goodwill	0	0	0	9	0	9
Fixed assets	0	0	0	101	0	101
Deferred tax assets	0	0	0	16	0	16
Other assets	0	0	132	0	0	132
Total assets	8 345	55	1 035	9 831	54 289	73 556
LIABILITIES						
Debt to credit institutions	0	0	0	502	0	502
Deposits from and debt to customers	35 796	0	0	0	0	35 796
Debt securities in issue	0	0	3 285	19 528	5 228	28 040
Financial derivatives	0	0	0	614	0	614
Tax payable	0	256	0	0	0	256
Deferred tax	0	0	0	0	0	0
Other liabilities and provisions	0	0	326	0	0	326
Subordinated debt instruments	0	0	203	503	0	705
Total liabilities	35 796	256	3 814	21 147	5 228	66 240

PARENT COMPANY 2023

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
ASSETS						
Cash and cash equivalents	18	0	0	0	0	18
Loans and advances to credit institutions/central banks	533	0	0	2 606	0	3 140
Loans to customers	4 191	54	248	1 980	32 415	38 888
Commercial paper and bonds	0	0	645	6 527	22	7 194
Financial derivatives	0	0	0	741	0	741
Shares	0	0	0	0	734	734
Investments in associates	0	0	0	0	0	0
Investments in subsidiaries	0	0	0	0	2 212	2 212
Intangible assets and goodwill	0	0	0	8	0	8
Fixed assets	0	0	0	88	0	88
Deferred tax assets	0	0	0	26	0	26
Other assets	0	0	124	0	0	124
Total assets	4 742	54	1 017	11 976	35 383	53 173
LIABILITIES						
Debt to credit institutions	229	0	0	502	0	731
Deposits from and debt to customers	35 827	0	0	0	0	35 827
Debt securities in issue	0	0	1 604	5 474	441	7 519
Financial derivatives	0	0	0	669	0	669
Tax payable	0	216	0	0	0	216
Deferred tax	0	0	0	0	0	0
Other liabilities and provisions	0	0	333	0	0	333
Subordinated debt instruments	0	0	203	503	0	705
Total liabilities	36 056	216	2 140	7 148	441	46 000

Note 44 Expected incomings (assets) and outgoings (liabilities) (cont.)

CONSOLIDATED 2022

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
ASSETS						
Cash and cash equivalents	19	0	0	0	0	19
Loans and advances to credit institutions/central banks	714	0	0	0	0	714
Loans to customers	7 396	539	250	2 550	50 449	61 184
Commercial paper and bonds	80	50	494	6 843	0	7 467
Financial derivatives	0	0	0	375	0	375
Shares	0	0	0	0	758	758
Investments in associates	0	0	0	0	3	3
Investments in subsidiaries	0	0	0	0	0	0
Intangible assets and goodwill	0	0	0	16	0	16
Fixed assets	0	0	0	88	0	88
Deferred tax assets	0	0	0	20	0	20
Other assets	0	0	180	0	0	180
Total assets	8 208	590	924	9 892	51 210	70 824
LIABILITIES						
Debt to credit institutions	2	0	0	502	0	504
Deposits from and debt to customers	34 846	0	0	0	0	34 846
Debt securities in issue	0	432	2 612	18 449	5 677	27 169
Financial derivatives	0	0	0	612	0	612
Tax payable	0	187	0	0	0	187
Deferred tax	0	0	0	0	0	0
Other liabilities	0	0	173	0	0	173
Provisions	0	0	85	0	0	85
Subordinated debt instruments	0	0	200	403	0	603
Total liabilities	34 849	618	3 070	19 965	5 677	64 179

PARENT COMPANY 2022

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
ASSETS						
Cash and cash equivalents	19	0	0	0	0	19
Loans and advances to credit institutions/central banks	714	0	0	4 319	0	5 032
Loans to customers	3 912	538	241	2 089	26 493	33 272
Commercial paper and bonds	80	50	494	6 635	0	7 259
Financial derivatives	0	0	0	716	0	716
Shares	0	0	0	0	758	758
Investments in associates	0	0	0	0	3	3
Investments in subsidiaries	0	0	0	0	2 212	2 212
Intangible assets and goodwill	0	0	0	14	0	14
Fixed assets	0	0	0	79	0	79
Deferred tax assets	0	0	0	29	0	29
Other assets	0	0	159	0	0	159
Total assets	4 724	588	894	13 881	29 466	49 553
LIABILITIES						
Debt to credit institutions	138	0	0	502	0	640
Deposits from and debt to customers	34 870	0	0	0	0	34 870
Debt securities in issue	0	432	597	3 895	893	5 817
Financial derivatives	0	0	0	680	0	680
Tax payable	0	153	0	0	0	153
Deferred tax	0	0	0	0	0	0
Other liabilities	0	0	167	0	0	167
Provisions	0	0	106	0	0	106
Subordinated debt instruments	0	0	200	403	0	603
Total liabilities	35 008	585	1 070	5 480	893	43 035

Note 45 Foreign currency positions

The figures in the table show the equivalent amounts in millions of NOK at 31.12.2023, including financial derivatives.

Currency	EUR	USD	SEK	DKK	GBP	Other	Total foreign currency translated into NOK
Net exposure at 31.12.2023	- 21,6	2,4	0,8	0,8	0,0	1,4	- 16,3
Net exposure at 31.12.2022	- 26,7	- 2,6	0,2	0,5	1,8	3,4	- 23,3

Note 46 Offsetting

CONSOLIDATED AT 31.12.23	Gross carrying amount	Amounts offset in the balance sheet	Carrying amount	Netting agree- ments	Allowance account	Net exposure after offsetting
Assets						
Loans to customers	218	0	218	0	39	178
Financial derivatives	413	0	413	53	0	360
Liabilities						
Financial derivatives	614	0	614	105	0	509
PARENT COMPANY AT 31.12.23	Gross carrying amount	Amounts offset in the balance sheet	Carrying amount	Netting agree- ments	Allowance account	Net exposure after offsetting
Assets						
Loans to customers	218	0	218	0	39	178
Financial derivatives	741	0	741	53	0	688
Liabilities						
Financial derivatives	669	0	669	105	0	564

The Bank has no financial instruments that are reported net.

For customers with foreign currency loans, the Bank has an agreement to set-off balances against an allowance account established for this purpose. In addition to the allowance accounts, currency loans are backed by ordinary collateral.

The parent company has entered into ISDA agreements with all of its financial counterparties, and these agreements entitle the Bank to set-off in the event of default. The Bank has framework agreements for derivatives trading with both retail and corporate customers, which require customers to put up collateral to cover possible falls in market values.

Bustadkreditt Sogn og Fjordane AS has also signed ISDA agreements with its financial counterparties. As of 31 December, all of Bustadkreditt's derivative contracts were signed with the parent company.

Note 47 Disputes

In 2023, the Bank announced that it would cease to be a shareholder in Frende Holding AS and would terminate its agreement to distribute Frende's products. In conjunction with that, the Bank and the other shareholders in Frende Holding AS disagree about the correct interpretation of Frende Holding AS' shareholder agreement. In 2023 it was announced that the dispute would go to arbitration, which is expected to happen in 2024.

Note 48 Equity share capital and organisational structure

PARENT COMPANY

The equity share capital was raised as follows:

Year	Change in equity share capital (NOK)	Face value of each equity certificate (NOK)	Change in number of equity certificates
2010 Initial issue of equity certificates	1 894 953 000	100	18 949 530
2016 Equity certificates issued to existing shareholders	50 000 000	100	500 000
2016 Equity certificates issued to employees and Board	3 365 700	100	33 657
	1 948 318 700		19 483 187

FIGURES IN 000S OF NOK UNLESS OTHERWISE SPECIFIED

Equity share capital	31.12.23	31.12.22
Equity certificates	1 948 319	1 948 319
Share premium account	15 608	15 608
Dividend equalisation reserve	2 982 203	2 689 343
Own equity certificates	- 3 401	- 2 841
Total equity share capital (A)	4 942 729	4 650 429
Primary capital (B)	797 730	700 305
Reserve for unrealised gains	475 652	569 237
Hybrid capital	450 000	350 000
Proposed allocation for dividends and gifts	507 080	247 798
Other equity	0	0
Total equity	7 173 191	6 517 769
Equity share capital ratio A / (A+B) after disbursal of dividends	86,10 %	86,91 %
Parent company's earnings per equity certificate (weighted), in NOK	37,10	30,06
Consolidated earnings per equity certificate (weighted), in NOK	37,79	26,98
Consolidated book equity per equity certificate in NOK (excl. hybrid capital)	303,41	280,81
PROPOSED ALLOCATION FOR DIVIDENDS		
Dividend payable per equity certificate, in NOK	25,00	12,00
Total dividends	487 080	233 798
Proposed allocation for gifts		
Charitable donations	20 000	14 000
Total proposed allocation for dividends and gifts	507 080	247 798
Dividends and gifts as a % of consolidated profit after taxation	59,9 %	41,1 %
Dividends and gifts as a % of parent company profit after taxation	61,0 %	36,9 %

Note 48 Equity share capital and ownership structure (cont.)

20 largest holders of equity certificates with an interest of at least 1%:

	31.12.23 Number of equity certificates	Percentage
Sparebankstiftinga Sogn og Fjordane	18 119 496	93,00 %
Sparebankstiftinga Fjaler	1 152 992	5,92 %
Other *)	182 663	0,94 %
Own equity certificates	28 036	0,14 %
Total	19 483 187	100,00 %

*) Other owners of equity certificates comprise employees, Board members and former employees at Sparebanken Sogn og Fjordane.

Equity certificates held by key personnel

Equity certificates held by the CEO, senior management team, members of the Board of Directors and their personal related parties, as defined by Section 7-26 of the Norwegian Accounting Act.

	Number of equity certificates
Harald Slettvoll, Director of Risk Management and Compliance	4 057
Trond Teigene, CEO	3 800
Vaseth AS and Frode Vaseth, CFO	3 100
RLK Holding AS represented by Johnny Haugsbakk, Board member	3 000
Linda Marie Vøllestad Westbye, Retail Banking Director	1 650
Eirik Rostad Ness, Director of Human Resources	1 597
Ole Martin Eide, Board member, employee representative	1 159
Roy Stian Farsund, Corporate Banking Director	1 150
Mar Invest AS represented by Kristian Skibenes, Board member	1 000
Reiel Haugland, Project Manager SB 1	698
Jill Aasen Hole, Acting Technology Director	335
Lise Mari Haugen, Chair	300
Johanne Viken Sandnes, Director of Communications	274
Camilla C. Holvik, Board member, employee representative	147
Total equity certificates held by key personnel and Board members	22 267

Information about voting rights, etc.

Representatives elected by the equity certificate owners shall have 40% of the votes at the AGM.

Representatives elected by and from our customers shall have 36% of the votes at the AGM.

Representatives elected by and from our employees shall have 24% of the votes at the AGM.

As well as requiring majority support at the AGM in the same way as for changes to the articles of association, the following matters require the support of at least 2/3 of the votes representing the equity certificate holders:

- Buying back equity certificates (Financial Institutions Act, Section 10-5)
- Any reduction or increase in the equity share capital (Financial Institutions Act, Sections 10-21 and 10-22)
- Establishing subscription rights (Financial Institutions Act, Section 10-23)
- Loans with a right to require that equity certificates be issued (Financial Institutions Act, Section 10-24)
- Decisions relating to mergers and demergers (Financial Institutions Act, Section 12-3)
- Decisions about restructuring (Financial Institutions Act, Section 12-14)

The articles of association entitle the Bank to issue negotiable equity certificates.

Note 49 Hedge accounting

Sparebanken Sogn og Fjordane uses hedge accounting for fixed-rate debt securities issued by Bustadkreditt Sogn og Fjordane. The aim is to counteract fluctuations in the value of fixed-rate bonds in issue. The hedged item (the bond in issue) is measured at fair value through gains/losses on financial instruments, and the hedging instrument (the derivative) is measured at fair value, with changes in fair value recognised through gains/losses on financial instruments.

Sparebanken Sogn og Fjordane is the counterparty to the external derivative contracts, while Bustadkreditt Sogn og Fjordane is the issuer of the hedged item. An internal swap is then carried out between Bustadkreditt Sogn og Fjordane and Sparebanken Sogn og Fjordane, to counteract fluctuations in value at the parent company and subsidiary. Both the external and internal derivative contracts are covered by ISDA agreements, which regulate all derivatives trading. Within this framework, changes in the value of derivative contracts are measured daily and collateral is exchanged between the parties in the event of any fluctuations, in order to reduce the risks for both parties.

At 31.12.2023, hedge accounting was used for twelve hedge relationships, and the hedged items and hedging instruments were directly linked by being subject to the same terms and conditions (coupon rate, term to maturity, and face value). The hedge effectiveness has been calculated based on 1 percentage point shifts in the yield curve and what the impact on profit of this would be.

	2023	2022
Hedging instrument		
Nominal opening value	5 025	5 025
Change in value (gain-/loss+)	- 1	232
Hedged item		
Nominal opening value	5 025	5 025
Change in value (gain-/loss+)	- 2	- 225
Net change in value – hedge ineffectiveness (gain-/loss+)	- 3,6	7,6
Hedge ratio (value of hedging instrument to value of hedged item)	100,0 %	100,0 %
Weighted hedge effectiveness	100,5 %	105,3 %

Hedge accounting has been used for the following covered bonds and their associated hedging instruments:

	Nominal value	Remaining term to maturity
SSFBK15PRO		
<i>Hedged item</i>	1 000	31.08.2033
<i>Hedging instrument</i>	1 000	31.08.2033
SSFBK17PRO (split in three tranches)		
<i>Hedged item</i>	1 000	20.09.2034
<i>Hedging instrument</i>	1 000	20.09.2034
SSFBK18PRO		
<i>Hedged item</i>	1 000	19.06.2030
<i>Hedging instrument</i>	1 000	19.06.2030
SSFBK22PRO		
<i>Hedged item</i>	500	31.08.2037
<i>Hedging instrument</i>	500	31.08.2037
SSFBK23PRO		
<i>Hedged item</i>	1 000	04.10.2029
<i>Hedging instrument</i>	1 000	04.10.2029
SSFBK24PRO		
<i>Hedged item</i>	525	30.08.2032
<i>Hedging instrument</i>	525	30.08.2032

Declaration by the Board of Directors and CEO

We declare that, to the best of our knowledge, the financial statements for 2023 have been prepared in accordance with current accounting standards, and that the information contained therein provides a true picture of the assets, liabilities, financial position and results of the Group. The Board believes that the financial statements give a true picture of the most important areas of uncertainty and potential risks faced by the Group in 2023.

Førde, 28 February 2024

Lise Mari Haugen
Chair

Magny Øvrebø
Deputy Chair

Monica Rydland

Johnny Haugsbakk

Geir Opseth

Kristian Skibenes

Camilla C. Holvik

Ole Martin Eide

Trond Teigene
CEO

To the General Meeting of Sparebanken Sogn og Fjordane

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the financial statements of Sparebanken Sogn og Fjordane, which comprise:

- The financial statements of the parent company Sparebanken Sogn og Fjordane (the Company), which comprise the balance sheet as at 31 December 2023, the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Sparebanken Sogn og Fjordane and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2023, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU, and
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for six years from the election by the general meeting of the shareholders on 29 March 2017 for the accounting year 2017.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial

statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

IT-systems and internal controls relevant for financial reporting

Key Audit Matter	How the matter was addressed in the audit
<p>The IT systems within Sparebanken Sogn og Fjordane ("Sparebanken") are key in the accounting and reporting of completed transactions, in obtaining the basis for key estimates and calculations, and in obtaining relevant information to be disclosed.</p> <p>The IT systems are mainly standardized, and the management and operation of the systems are to a great extent outsourced to external service providers.</p> <p>Proper management and control of these IT systems both from Sparebanken and their service providers are of high importance in order to ensure precise, complete and reliable financial reporting, and this area is therefore considered to be a key audit matter.</p>	<p>Sparebanken has established a general governance model and internal controls on their IT systems. We have obtained an understanding of Sparebanken's IT governance model relevant for financial reporting.</p> <p>We assessed and tested the design of selected internal control activities relevant for financial reporting, including selected controls related to IT operations. For a sample of these controls, we tested their operating effectiveness in the reporting period.</p> <p>We considered the third-party attestation report (ISAE 3402 Report) from Sparebanken's core system service provider, focusing on whether they had adequate internal controls on areas that are of importance to the financial reporting of Sparebanken.</p> <p>We also considered the third-party attestation report (ISRS 4400 Agreed-upon procedures) from the core system service provider focusing on whether selected automated control activities in the IT-systems, including among others the calculation of interests and fees and selected system generated reports, were adequately designed and implemented in the period.</p> <p>We have engaged our internal IT experts in the work related to understanding the governance model on IT and in assessing and testing the internal control activities.</p>

Corporate loan loss provisions

Key Audit Matter	How the matter was addressed in the audit
<p>Sparebanken Sogn og Fjordane ("Sparebanken") has loans in the corporate segment, and reference is made to notes 7 through 9 and 11 through 16 for disclosure on credit risk and loss provisions on loans and guarantees.</p> <p>Sparebanken has considered the need for loss provisions on loans and guarantees. There is considerable judgement in the bank's assessment of the size of the loan loss provisions in the corporate market segment.</p>	<p>Sparebanken has established control activities related to the calculation of loan loss provisions in the corporate market segment.</p> <p>We assessed and tested the design of selected control activities concerning individual loss provisions on credit impaired loans. The control activities we assessed and tested the design of, were related to identification of credit impaired loans and the assessment of the expected future cash flows from these loans. For a sample of these control activities, we tested if they were operating effectively during the period.</p>

The judgement is related to forward-looking assessments in order to estimate the expected loss, including judgements as to how expected loss is affected by uncertainties regarding the economic outlook.

The assumptions and estimates used in the assessments are crucial for the size of the provisions, and loan loss provisions in the corporate market segment are therefore a key audit matter in the audit.

For a sample of credit impaired loans, we tested if these were timely identified, and assessed the expected future cash flows the bank estimated on these loans.

For remaining loan loss provisions calculated in the models, we assessed and tested the design of selected key controls related to the loan loss models, including selected controls related to:

- identification of significant increase in credit risk,
- application of financial scenarios, and
- calculation of probability of default, loss given default and exposure at default.

For a selection of these controls, we tested if they had been operating effectively during the period.

We considered a sample of forward-looking assessments used in order to estimate expected loss.

We considered whether the disclosures on loan loss provisions in the corporate market segment is in accordance with requirements set forth in IFRS 7.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appear to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Social Responsibility.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our

report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Florø, 28 February 2024
Deloitte AS

Hallgeir A. Bruvik
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

Consolidated financial results by quarter

	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Net interest income	381	379	356	350	332
Other operating income	40	45	45	37	46
Dividends and gains/losses on financial instruments	- 11	- 29	60	14	1
Net other operating income	29	15	105	51	47
Total revenues	410	395	462	401	379
Operating expenses	150	141	128	127	128
Profit/loss before impairment loss	259	254	334	274	250
Impairment loss	- 1	30	- 11	- 4	30
Profit/loss before taxation	260	225	345	278	220
Tax expense	59	58	75	69	51
Profit/loss after taxation	201	166	270	210	169
Remeasurements, pensions	0	0	0	0	0
COMPREHENSIVE INCOME	201	166	270	210	169

	Q3 2022	Q2 2022	Q1 2022	Q4 2021
Net interest income	291	268	257	250
Other operating income	43	43	34	42
Dividends and gains/losses on financial instruments	- 18	- 11	29	63
Net other operating income	25	32	63	105
Total revenues	315	300	320	355
Operating expenses	128	125	118	123
Profit/loss before impairment loss	187	175	203	232
Impairment loss	2	- 13	17	1
Profit/loss before taxation	185	188	186	231
Tax expense	42	45	39	35
Profit/loss after taxation	143	143	147	196
Remeasurements, pensions	0	0	0	0
COMPREHENSIVE INCOME	143	143	147	196

Consolidated financial results by quarter (cont.)

CONSOLIDATED FINANCIAL RESULTS BY QUARTER

As a % of average total assets	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Net interest income	2,05 %	2,05 %	1,97 %	1,99 %	1,86 %
Other operating income	0,22 %	0,24 %	0,25 %	0,21 %	0,26 %
Dividends and changes in the value of fin. instr.	- 0,06 %	- 0,16 %	0,33 %	0,08 %	0,00 %
Net other operating income	0,16 %	0,08 %	0,58 %	0,29 %	0,27 %
Total revenues	2,23 %	2,15 %	2,54 %	2,25 %	2,14 %
Operating expenses	0,82 %	0,76 %	0,71 %	0,71 %	0,73 %
Profit/loss before impairment loss	1,41 %	1,38 %	1,84 %	1,54 %	1,42 %
Impairment loss	0,00 %	0,16 %	- 0,06 %	- 0,02 %	0,17 %
Profit/loss before taxation	1,42 %	1,22 %	1,90 %	1,56 %	1,25 %
Tax expense	0,32 %	0,32 %	0,41 %	0,39 %	0,29 %
Profit/loss after taxation	1,10 %	0,91 %	1,49 %	1,18 %	0,96 %
Remeasurements, pensions	0,00 %	0,00 %	0,00 %	0,00 %	0,00 %
COMPREHENSIVE INCOME	1,10 %	0,91 %	1,49 %	1,18 %	0,96 %

CONSOLIDATED FINANCIAL RESULTS BY QUARTER

As a % of average total assets	Q3 2022	Q2 2022	Q1 2022	Q4 2021
Net interest income	1,65 %	1,58 %	1,57 %	1,52 %
Other operating income	0,25 %	0,25 %	0,21 %	0,26 %
Dividends and changes in the value of fin. instr.	- 0,10 %	- 0,06 %	0,17 %	0,38 %
Net other operating income	0,14 %	0,19 %	0,38 %	0,64 %
Total revenues	1,80 %	1,77 %	1,93 %	2,17 %
Operating expenses	0,73 %	0,73 %	0,71 %	0,75 %
Profit/loss before impairment loss	1,07 %	1,03 %	1,22 %	1,42 %
Impairment loss	0,01 %	- 0,08 %	0,10 %	0,00 %
Profit/loss before taxation	1,06 %	1,11 %	1,12 %	1,41 %
Tax expense	0,24 %	0,26 %	0,24 %	0,22 %
Profit/loss after taxation	0,82 %	0,84 %	0,88 %	1,20 %
Remeasurements, pensions	0,00 %	0,00 %	0,00 %	0,00 %
COMPREHENSIVE INCOME	0,82 %	0,84 %	0,88 %	1,20 %

Key figures, parent company

AMOUNTS IN MILLIONS OF NOK

INCOME STATEMENT	2021	2022	2023
Net interest income	698	956	1 257
Dividends and gains/losses on financial instruments	328	210	160
Other operating income	130	145	147
Operating expenses	453	475	519
Profit/loss before impairment loss (incl. securities)	703	836	1 045
Profit/loss before impairment loss (excl. securities)	375	625	885
Impairment loss	- 38	23	- 6
Profit/loss before taxation	741	813	1 051
Tax expense	108	141	219
Profit/loss after taxation	633	671	832
Other comprehensive income	0	0	0
Comprehensive income	633	671	832

BALANCE SHEET

Assets

Gross loans and advances to customers	34 341	33 560	39 159
Loss allowance	- 294	- 288	- 271
Security investments (shares, fixed income funds, commercial paper and bonds)	9 636	8 018	7 928

Debt and equity

Deposits from and debt to customers	32 568	34 870	35 827
Debt securities and debt to credit institutions	7 950	6 456	8 250
Equity	6 053	6 518	7 173
Total assets	47 768	49 553	53 173
Average total assets	46 961	49 177	51 903

KEY FIGURES

Profitability

Net interest margin	1,49 %	1,94 %	2,42 %
Other operating income (excl. profit/loss on fin. instr.) as a % of average total assets	0,28 %	0,29 %	0,28 %
Operating expenses as a % of average total assets	0,96 %	0,97 %	1,00 %
Profit/loss before impairment loss as a % of average total assets	1,50 %	1,70 %	2,01 %
Profit/loss before tax as a % of average total assets	1,58 %	1,65 %	2,02 %
Profit/loss after tax as a % of average total assets	1,35 %	1,36 %	1,60 %
Comprehensive income as a % of average total assets	1,35 %	1,36 %	1,60 %
Oper. exp. as a % of oper. income excl. gains/losses on fin. instr.	54,72 %	43,18 %	36,97 %
Oper. exp. as a % of oper. income incl. gains/losses on fin. instr.	39,19 %	36,25 %	33,19 %
Impairment loss as a % of gross loans	- 0,11 %	0,07 %	- 0,02 %
Return on equity before tax 1)	14,21 %	13,18 %	17,04 %
Return on equity after tax 1)	12,14 %	10,88 %	13,49 %
Pre-tax return on equity (comprehensive income) 1)	12,14 %	10,88 %	13,49 %
Parent company's comprehensive income per equity certificate (weighted), in NOK	28,41	30,06	37,10
Dividend payable per equity certificate, in NOK	9,00	12,00	25,00

1) Return on equity is calculated based on opening equity excl. hybrid capital

Capital and liquidity position

Capital adequacy ratio	21,55 %	23,50 %	23,93 %
Core Tier 1 capital adequacy ratio	19,51 %	21,38 %	21,60 %
Leverage ratio	18,32 %	20,14 %	20,11 %
Liquidity Coverage Ratio (LCR)	9,45 %	9,46 %	9,89 %
NSFR, parent company	121 %	150 %	147 %
NSFR consolidated		140 %	135 %

Balance sheet history

Growth in total assets (year-on-year)	3,80 %	3,74 %	7,31 %
Growth in gross customer lending (year-on-year)	3,90 %	- 2,27 %	16,68 %
Growth in customer deposits (year-on-year)	6,08 %	7,07 %	2,75 %
Deposits as a % of gross lending	94,84 %	103,90 %	91,49 %

Employees

Full-time equivalent employees as at 31 Dec.	253	262	265
----------------------------------------------	-----	-----	-----

Income statement

As a % of average total assets

PARENT COMPANY

2022 2023

3,16 %	5,12 %	Interest income
1,22 %	2,70 %	Interest expenses
1,94 %	2,42 %	Net interest income

0,33 %	0,32 %	Commission income
0,06 %	0,06 %	Commission expenses
0,43 %	0,31 %	Net gains/losses on financial instruments
0,02 %	0,02 %	Other income
0,72 %	0,59 %	Net other operating income

2,67 % 3,01 % Total revenues

0,52 %	0,53 %	Wages, salaries, etc.
0,38 %	0,42 %	Other expenses
		Depreciation and impairment of fixed assets and intangible assets, and gains/losses
0,07 %	0,05 %	
0,97 %	1,00 %	Total operating expenses

1,70 % 2,01 % Profit/loss before impairment loss

0,05 % – 0,01 % Impairment loss

1,65 % 2,02 % Profit/loss before taxation

0,29 %	0,42 %	Tax expense
0,00 %	0,00 %	Profit/loss after tax on assets held for sale

1,36 % 1,60 % Profit/loss for the financial year

Profit/loss for the financial year

0,00 %	0,00 %	Gain/loss on available-for-sale financial assets
0,00 %	0,00 %	Remeasurements, pensions

0,00 % 0,00 % Other comprehensive income for the period after tax

1,36 % 1,60 % Comprehensive income

49 177 51 903 AVERAGE TOTAL ASSETS

CONSOLIDATED

2023 2022

5,22 %	3,18 %
3,20 %	1,50 %
2,02 %	1,67 %

0,23 %	0,24 %
0,05 %	0,05 %
0,05 %	0,00 %
0,04 %	0,05 %
0,28 %	0,24 %

2,30 % 1,92 %

0,41 %	0,40 %
0,32 %	0,29 %

0,03 %	0,04 %
0,75 %	0,73 %

1,55 % 1,19 %

0,02 % 0,05 %

1,53 % 1,14 %

0,36 %	0,26 %
0,00 %	0,00 %

1,17 % 0,88 %

0,00 %	0,00 %
0,00 %	0,00 %

0,00 % 0,00 %

1,17 % 0,88 %

72 573 68 515



*sparebanken
sogn og fjordane*

Sustainability appendix

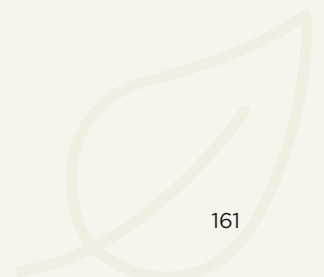
2023



More details about Sparebanken Sogn og Fjordane's work on sustainability

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Taxonomy-related information

EU Taxonomy for sustainable finance

The EU Taxonomy is a classification system that determines which economic activities can be considered environmentally sustainable. This system is part of the EU's Sustainable Finance Action Plan, which aims to reorient investment towards more sustainable economic activities. The Taxonomy sets requirements for environmental performance and aims to reduce the risk of greenwashing by establishing clear criteria for which activities can be considered sustainable. These regulations are of key importance to banks and financial institutions, which must adapt their investment strategies and reporting practices in order to meet the new requirements.

SSF's approach to the EU Taxonomy

As the biggest bank in the Sogn og Fjordane region, SSF plays an important role in the implementation of the EU Taxonomy. SSF acknowledges that the Taxonomy is an important tool for promoting sustainable finance. The Bank incorporates climate and environmental considerations into its business strategies, and we see this as part of our contribution to achieving Net Zero by 2050. Through our work in relation to the EU Taxonomy, we are striving to identify and support investments and loans that promote environmental sustainability.

How SSF is currently working on the EU Taxonomy

SSF is proactively preparing itself for future requirements in the EU Taxonomy, although it is not obliged to report in accordance with the Taxonomy for the financial year 2023. The Bank has started processes for collecting data and mapping its ESG risk, and it is developing green finance products. These initiatives reflect the European Green Bond Standard and show the Bank's commitment to supporting sustainable economic activities.

How SSF will work on the EU Taxonomy going forward

Going forward, SSF will intensify its work on the EU Taxonomy, and it plans to start full reporting in accordance with the Taxonomy Regulation from 1 January 2026 (for the reporting year 2025). The Bank has undertaken to develop and offer sustainable financial products, and it will work proactively to reorient its customers' practices and behaviour in a more sustainable direction. The Bank sees this as a strategic opportunity to contribute to the green transition and promote economic growth in the region through sustainable investment.

The Bank's commitment to the EU Taxonomy is a clear illustration of the Bank's overall sustainability strategy. The Bank's engagement with, and work on, the Taxonomy reinforces its role as a driving force for Sogn og Fjordane. By focusing on both environmental and social sustainability, the Bank is in a strong position to meet the challenges and opportunities that lay ahead of it.



Framework for issuing green bonds

In 2022, the Bank updated its framework for issuing green bonds. The framework, which was drawn up in accordance with the ICMA Green Bond Principles, is based on best market practice and promotes the UN Sustainable Development Goals.

The green bond framework reflects the Bank's overall sustainability strategy and its guidelines for corporate social responsibility and sustainability. The framework is a natural continuation of the Bank's work on sustainability and will help to put its sustainability strategy into operation, as well as to achieving the Bank's overall goal of becoming carbon neutral by 2050. The framework provides a clear, thematic definition of what is sustainable, and is used as a basis for determining the green assets in the Bank's loan portfolio.

Green bond issues are used to finance green projects within the following categories:

- Green buildings
- Renewable energy
- Agriculture
- Aquaculture and fish farming
(as well as sustainable fisheries)
- Green transport
- Social loans

The green bond framework has been independently assessed by Sustainalytics. Sustainalytics assessed the framework against the EU Taxonomy and concluded that it partially met the criteria in the Taxonomy.

The Bank has implemented a process to ensure that only projects that meet specified criteria are chosen as qualified assets and as projects for green bond issues. This involves continuous monitoring by the Green Bond committee. This committee is made up of members of the sustainability working group and is chaired by the Finance Director. The committee,

which meets at least once every quarter to evaluate progress, is responsible for making sure that all of the projects in the Bank's green register meet the necessary criteria.

Green bonds and allocation in 2023

In 2023 the Bank increased its issuance of green bonds, underlining its commitment to sustainable financing and support for the green transition. Compared with 2022, the Bank saw a big increase in the volume of green bonds that it issued.

	Targets	31.12.22	31.12.2023
Green covered bonds issued by year-end 2023	NOK 5 billion	NOK 1.9 billion	NOK 3.9 billion
Green senior bonds issued by year-end 2023	NOK 1 billion	NOK 0.2 billion	NOK 1.5 billion

In the case of green covered bonds, the goal was to issue NOK 5 billion worth by the end of 2023. At the end of 2022, the Bank had issued NOK 1.9 billion of green covered bonds, a figure which rose considerably over the course of 2023, to NOK 3.9 billion at the end of the year.

With respect to issuing green senior bonds, the Bank's goal was to reach NOK 1 billion by the end of 2023. By year-end 2022, NOK 0.2 billion of these bonds had been issued, but during 2023 the Bank increased this to NOK 1.5 billion, which indicates strong growth and the market's positive reception of the Bank's green financial products.

AMOUNTS IN MILLIONS OF NOK	Qualifying cover pool	Bonds issued	Available volume	Total volume for Group	% of pool that qualifies	% of pool used
<i>Retail market</i>						
Residential mortgage loans	7 706	3 900	3 806	48 666	15,8 %	50,6 %
Total	7 706	3 900	3 806	48 666	15,8 %	50,6 %

<i>Corporate market</i>						
Fish farming	1 824	502	1 322	2 641	69,1 %	27,5 %
Commercial property	2 989	823	2 166	5 280	56,6 %	27,5 %
Electric power generation	623	171	452	739	84,3 %	27,4 %
Social loans	14	4	10	14	100 %	28,6 %
Other commitment	-	-	-	6 947	-	-
Total	5 450	1 500	3 950	15 621	34,9 %	27,5 %

TCFD Report for 2023

The *Task Force on Climate-Related Financial Disclosures* (TCFD) offers an established framework for reporting climate risk for banks and financial institutions. The framework contains specific recommendations on reporting climate-related risks and opportunities. The aim is to help investors and other stakeholders to understand the Bank's potential risks and opportunities in the face of a changing climate. By following the TCFD framework, the Bank demonstrates its commitment to addressing climate-related risks and capitalising on opportunities in a low-carbon economy.

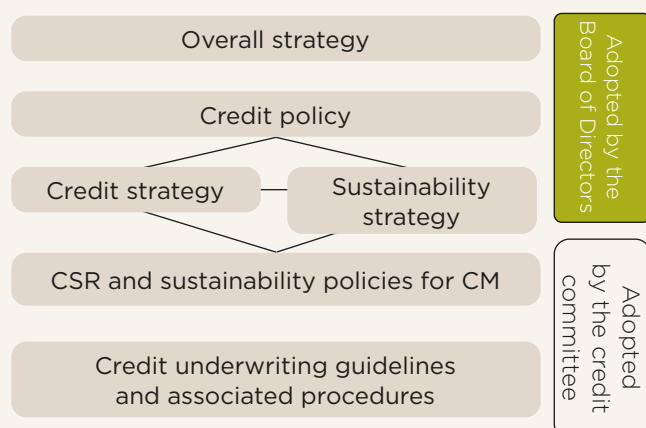
The table below provides an overview of the TCFD framework:

Pillar 1: Governance	Pillar 2: Strategy	Pillar 3: Risk management	Pillar 4: Metrics and targets
Management of climate-related risks and opportunities	Identification and assessment of climate risk in strategic and financial planning	Integration of climate risk in the Bank's risk management processes	Methods and targets for assessing climate-related risks and opportunities

Governance

The Board of Directors' oversight of climate-related risks and opportunities

The Board of Directors of Sparebanken Sogn og Fjordane ensures that each year there is a strategic process to define the Group's vision, targets and measures. The current overall strategy was adopted by the Board in December 2023. One of its important elements is the Bank's social mission, which is to be a driving force for Sogn og Fjordane and for the sustainability goals the Bank is working towards.



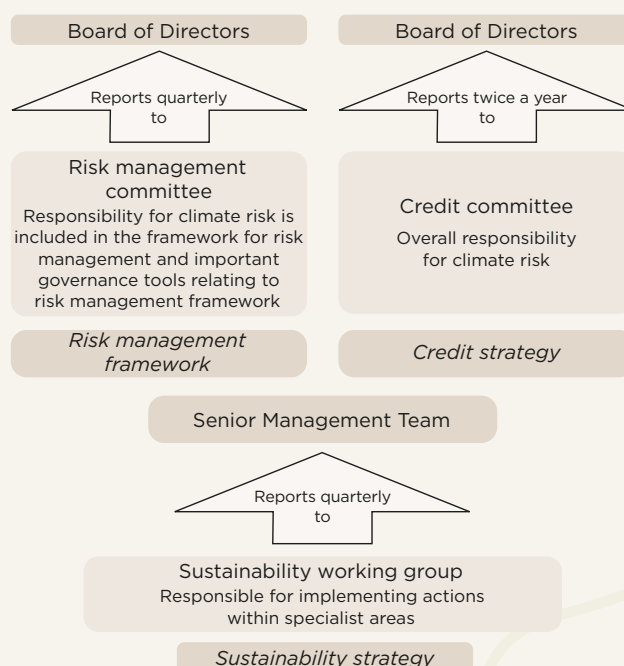
The Board of Directors adopts the Bank's credit policy and credit strategy. The credit committee adopts the guidelines, manuals and policies that form the basis for internal risk management. Climate risk is integrated into these documents in order to ensure that the need for sustainability is reflected in the Bank's business operations. The Bank's sustainability strategy is overseen and adopted by the Board of Directors, and it provides guidelines on practical work on climate risk within the various business areas. Together, the steering and strategy documents set out the overall direction for the Bank's work on climate-related risks.

Description of the management's role in assessing and managing climate-related risks and opportunities

The credit committee has primary responsibility for managing climate risk associated with the Bank's lending activities. The credit committee reports to the Board twice a year and is responsible for assessing and managing climate-related risks and opportunities.

The Senior Management Team leads the annual strategic planning process, and it is responsible for ensuring that climate-related risks and opportunities are included in the various specialist areas' targets and measures. Twice a year, the Senior Management Team receives updates on progress with work on sustainability from the sustainability working group, which consists of seven employees from different departments at the Bank. The sustainability working group has special responsibility for implementing measures within the specialist areas.

The department for risk management and compliance is responsible for ensuring that climate risk is included in the overall framework for risk management and in important steering documents relating to risk management. Our organisational structure for climate risk is presented below.



Strategy

Climate-related risks and opportunities identified by the Bank over the short, medium and long term

The Bank has assessed its climate-related risks and opportunities with a particular focus on physical climate risk and transition risk in its loan portfolios in the retail and corporate markets (hereafter abbreviated to RM and CM). It has focused particularly on the residential mortgage portfolio (RM) and on the agriculture, fish farming, fishing, property management and construction industries (CM).

The Bank has assessed how physical climate risk and transition risk would affect its lending activities to the RM and CM, with a particular focus on credit risk. We have assessed climate risk across three time horizons: short, medium and long term.

Phases	Time horizon	Description of time horizon
Short term	1-5 years	The Banks' strategic planning period (Sustainability strategy 2022-24)
Medium term	5-10 years	This time horizon reflects Norway's goal to reduce GHG emissions by 55 percent by 2030
Long term	10-30 years	This time horizon reflects the Paris Agreement's goal of net zero by 2050

The Bank plays a key role in identifying and managing climate-related risks and opportunities. This involves detailed analysis of factors such as geographic location, industry and exposure to both physical climate risk and transition risk. We are committed to continuously improving our understanding of these challenges, to ensure that we are properly equipped to handle them. Below follows a review of greenhouse gas emissions and emissions intensity for the RM and CM, as well as an assessment of both physical and transition risks over the short, medium and long term.

Climate-related risks and opportunities in the CM identified by the Bank over the short, medium and long term

The Bank has analysed the climate-related risks and opportunities in the CM over the short, medium and long term. In the short and medium term the risk is generally low, mainly because the Bank does not finance fossil fuel production and has a loan portfolio with low exposure to highly fossil fuel-dependent industries, such as international shipping. The biggest sectors in the CM portfolio are property management, agriculture, fishing and hunting, and building and construction (68% of the portfolio). Overall, low to medium risks have been identified across all of the time horizons. For agriculture there is some transition risk in the short term and medium to high risk over the long term. This is due to high levels of financed emissions, as well as the need for great changes in the industry between now and 2050.

Climate risk associated with lending	Millions of NOK (MNOK)	Tonnes of CO ₂ e*	tCO ₂ e/MNOK	Transition risk			Physical climate risk		
				ST	MT	LT	ST	MT	LT
Residential mortgage loans	48 666	2 533	97 kg CO ₂ e						
Retail customers	48 666	2 533	97 kg CO₂e						
Public sector	4	50	12,57						
Farming and forestry	1 690	65 490	38,75						
Fishing and hunting	2 092	14 325	6,85						
Aquaculture and hatcheries	549	51	0,09						
Industry and mining	802	15 122	18,86						
Power/water supply	739	13 164	17,81						
Building and construction	1 603	4 415	2,75						
Commerce/retail	993	4 650	4,68						
Transport	563	26 403	46,90						
Hotel and tourism industry	471	1 180	2,51						
Services	835	643	0,77						
Property management	5 280	315	0,06						
Corporate customers	15 621	145 809	9,33						
Total	64 287	148 342	2,31						

* scope 1 and 2

Low risk
Low/medium risk
Medium/high risk
High risk

Over the long term, we consider our climate risk to be moderate, on account of uncertainty about climate policies and the impact of new technology on the various sectors. The Bank will continue to monitor developments and adjust its credit scoring procedures as necessary.

In order to reduce climate risk in the CM, the Bank offers *Green Business Loans and Green Agricultural Loans*, which encourage business and farming customers to make investments to reduce climate risk and greenhouse gas emissions. This represents a climate-related opportunity for the Bank in terms of managing future climate risk.

Climate-related risks and opportunities in the RM identified by the Bank over the short, medium and long term

The Bank's risk assessment for the RM found low climate risk in the loan portfolio in the short and medium term. Over the longer term, a low to medium risk was identified, mainly due to the risk of more frequent extreme weather events and rising sea levels. Expectations of stricter regulations and energy performance rating requirements, as well as the need to upgrade homes to make them more energy-efficient, are also factors.

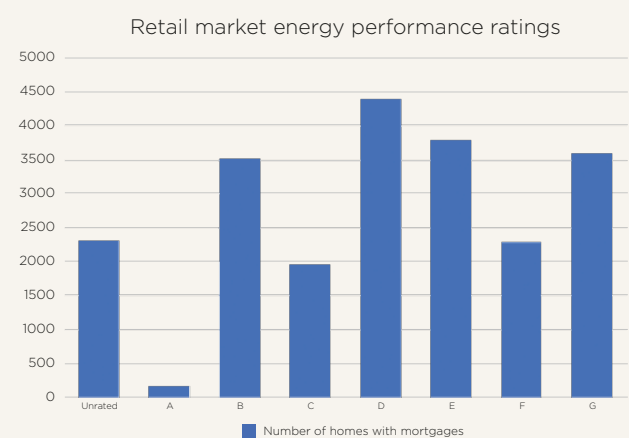
Physical climate risk

The Bank has analysed in detail the physical climate risk, such as flooding, landslides and sea level rise, for all of the properties it has a lien on. In the short term, extreme weather events may cause damage to properties, resulting in mortgage customers incurring financial costs. Nevertheless, we do not consider that this will result in higher risk to the Bank over the short term. Over the medium term, climate change may lead to more frequent and more intense extreme weather events. Over the long term, risks will rise, with a greater threat of more extreme weather conditions and higher sea levels. The table below shows the Bank's assessment of the physical climate risk facing homes with mortgages.

Physical climate risk in the RM	
<i>Current scenario for physical climate risk (properties with RM loans)</i>	
Risk	Proportion of homes in portfolio (%)
Floodplain	1,36
Flood risk area	9,64
Sea level rise	3,97
Landslide zone, unstable	0,05
Landslide zone, 100, 1,000 and 5,000 year interval	5,84
Quick clay slide (low risk)	1,64
Quick clay slide (medium risk)	0,45
Quick clay slide (high risk)	0,05
Avalanche risk area (inspected)	9,11

Transition risk

Transition risk is particularly related to energy efficiency and hence to the greenhouse gas emissions of properties in the residential mortgage portfolio. This has been assessed using energy performance ratings. Over the medium to long term, homes with a poor energy performance rating represent a higher transition risk. Rising electricity prices and stricter regulations, as well as the EU's Energy Performance of Buildings Directive, heighten the risk. In the medium to long term, demand for and prices of homes with a poor energy performance rating may fall, on account of the need for upgrades. The chart and table below show the distribution of energy performance ratings of homes with mortgages and financed greenhouse gas emissions in the RM.



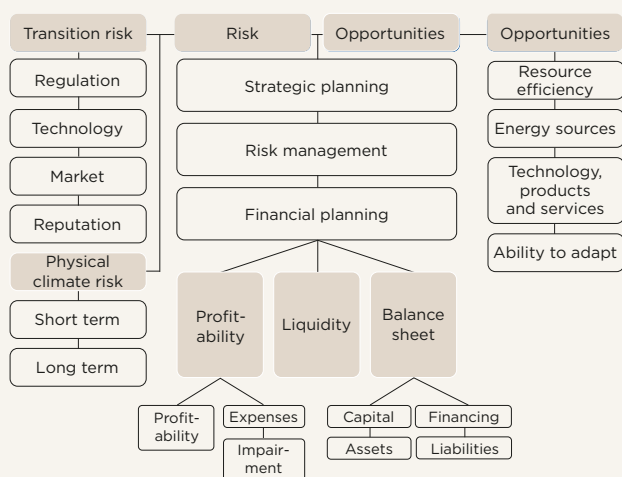
Retail market energy performance ratings	
<i>RM energy performance ratings* for homes with mortgages</i>	
Energy performance rating	Number of units
Unrated	2319
A	169
B	3521
C	1 964
D	4 402
E	3 802
F	2 287
G	3 600
Total	22 064
<i>*Energy performance ratings from ENOVA (self-reported) and estimated ratings from Eiendomsverdi/Simien</i>	

Financed emissions in retail market		
Total	Method	KgCO ₂ e
	Location-based	2 532 835
	Market-based	73 021 841
Carbon intensity	Carbon intensity	
	KgCO ₂ e per sq. m	2,02
	KgCO ₂ e per NOK million of lending	97,29

The climate-related opportunities identified by the Bank include the green products it offers such as green mortgages and green home improvement loans. These products are designed to incentivise and motivate customers to achieve a higher energy performance rating and reduce the energy consumption of their properties.

Importance of climate-related risks and opportunities to Sparebanken Sogn og Fjordane's operations, strategy, and financial planning

The relationship between climate-related risks and opportunities, and strategic and financial planning, is illustrated in the figure below. After the figure, we explain how this relates to the RM and CM.



Retail market

In view of climate risk, the Bank aims to raise the number of homes with an energy performance rating of B or higher. The goal is to have NOK 5 billion of green mortgages and green home improvement loans by the end of 2024, as set out in our sustainability strategy. We also offer savings products with a sustainable profile, green investment funds and green savings accounts for retail customers.

Corporate market

In response to the growing focus on climate risk, the Bank has introduced strategic goals and measures for the CM. We perform ESG and climate risk assessments for all customers with over NOK 3 million of credit. ESG and climate risk assessments are carried out at the level of individual customers and loans, in combination with industry-specific questions relating to ESG.

In 2023 the Bank published a corporate social responsibility and sustainability policy for the CM. The policy defines the Bank's approach to sustainability in the CM, and sets out requirements and expectations for the various industries financed by the Bank. It also states the industries and activities which the Bank does not wish to provide loans to.

The Bank's goal is to have NOK 300 million of green business loans by the end of 2024. At the close of 2023, the figure was NOK 43.4 million. In 2023 we expanded and improved our qualification requirements for green business loans so they cover a wider range of green activities and investments. The Bank will continue its efforts to increase the volume of these loans in 2024.

Potential impacts of various scenarios on the Bank's businesses, strategy and financial planning, including a 2 °C scenario

The Bank is currently assessing various scenarios and potential impacts on the Bank's businesses, strategy and financial planning, including a scenario where the global temperature rises by over 2 degrees. We do not yet have sufficient data to provide a proper analysis of this. We plan to perform a thorough analysis during 2024, in order to improve our understanding.

Risk management

How climate risk impacts the various risk categories

Climate risk is not an isolated risk, but rather an important risk factor that affects other areas of risk such as credit risk, market risk, liquidity risk, operational risk and business risk. The Bank has assessed the link between climate risk and these risk categories, as well as the Bank's risk exposure over three time horizons.

Risk	Transition risk			Physical climate risk				
	Explanation	ST	MT	LT	Explanation	ST	MT	LT
Credit risk	New regulations and changes to rules, supply chains and customer behaviour in Norway and internationally may reduce borrowers' servicing capacity (PD) and the value of collateral (LGD), which may increase the Bank's losses (ELs).	Low risk	Low/medium risk	Low/medium risk	Higher losses (ELs) in industries that are at risk of a reduction in the value of their collateral and assets, including having stranded assets, due to climate change.	Low risk	Low risk	Low/medium risk
Market risk	Changes in regulations, technology and customer behaviour, and a shift towards a more sustainable economy, may lead to asset impairments and change the market value of investments. This may result in shares and bonds being repriced.	Low risk	Low risk	Low/medium risk	Events caused by climate change, such as extreme weather events and natural disasters, may lead to significant losses to the values of e.g. physical properties. This may affect market prices and volatility, thereby increasing market risk for financial institutions.	Low risk	Low risk	Low/medium risk
Operational risk	Regulatory changes may require the Bank to greatly alter its internal processes, risk assessments, technology and reporting. This may push up expenses and create a need for new expertise.	Low risk	Low risk	Low/medium risk	Damage to the Bank's properties, infrastructure, inputs and human resources as a result of extreme weather events and climate change may disrupt day-to-day operations and increase operational risk.	Low risk	Low risk	Low/medium risk
Liquidity risk	Transition risk may affect the Bank's access to capital markets by altering its reputation and credit rating, which could in turn increase the cost of funding. Changes to legislation and shifts in market behaviour may reduce the value of collateral, thereby reducing the value of the Bank's liquidity buffer.	Low risk	Low/medium risk	Low/medium risk	Physical climate risks such as extreme weather events may cause direct financial losses by damaging the Bank's properties and infrastructure, and may require investments in reconstruction and repairs. This may disrupt the Bank's operations, reduce its revenue generation and worsen its liquidity position.	Low risk	Low risk	Low risk
Business risk	Loss of revenue as a result of failure to adapt the business model to shifts in customer behaviour and regulation. High technology development costs and adaptations needed to meet the expectations of stakeholders.	Low risk	Low risk	Low/medium risk	Damage to the Bank's physical assets and infrastructure may disrupt its operations and push up costs. Physical climate risks may affect the Bank's customers, in turn influencing the Bank's income and loan impairments. Higher insurance premiums and cover for climate-related risks may become a financial burden.	Low risk	Low risk	Low risk

Credit risk

The impact of climate risk on credit risk mainly relates to loans. Retail customers constitute the majority of our loan portfolio, with 76% of total lending, with CM loans constituting 24%. In the CM, most of our customers are small and medium-sized enterprises across a diverse range of industries. The Bank's CSR and sustainability policy for the CM, which states some requirements/expectations and which customers we do not wish to finance, ensures that we do not lend to industries with very high greenhouse gas emissions.

The Bank performs continuous assessments of the various industries we work with. Both transition risk and physical climate risk are important considerations in credit underwriting and in our customer support. Physical climate risk is also evaluated at the portfolio level in the RM. Moreover, as previously stated we have an integrated module for ESG and climate risk analysis in our credit checking processes for the CM. This module and how we identify and assess climate-related risks is explained in detail in the sub-chapter *"Description of the Bank's processes for identifying and assessing climate-related risks"*.

Market risk

In the case of market risk, climate risk is mainly linked to returns on and valuations of properties and securities, including an assessment of whether they are sustainable in accordance with the EU Taxonomy. The Bank prioritises investments in safe, liquid securities, particularly covered bonds secured by mortgage loans. We believe the probability is low that short-term regulatory changes, or unexpected incidents, will affect the value of these securities.

With respect to long-term risks, we have determined that there is a low to moderate risk related to major economic shifts. For example, a need for greater investment in the green transition may influence inflation, required rates of return and other similar factors. These kinds of changes may have a significant impact on existing economic structures and their ability to adapt to big economic changes.

Operational risk

The Bank's climate risk associated with operational risk mainly relates to potential loss of reputation and market position due to a failure to adapt to a low-carbon society. This includes the risk of bad investments in technology and losses due to extreme weather events.

The Bank manages operational risk by performing thorough internal controls and by regularly reporting unwanted incidents. We consider the risk of transition risk leading to human error, system or process failure, or external events that may cause

financial losses, to be low. Nevertheless, over time regulatory changes and market shifts may have a big impact, particularly if climate policies become stricter.

The risk of physical climate risk leading to human error, the Bank's systems and processes failing, or external events that may cause financial losses, is also assumed to be low. However, once again the uncertainty increases over time, with potential impacts including service interruptions, changes in insurance premiums and fluctuations in energy prices.

Liquidity risk

The climate risk associated with liquidity risk mainly relates to potential stranded assets in the liquidity portfolio, as well as the price of, and access to, funding. In the short term, we consider the risks relating to liquidity, and the associated costs, to be low. But in the medium to long term, the Taxonomy and other regulatory measures may potentially lead to more investment being reoriented towards green alternatives, which may make it considerably more expensive to finance non-green activities.

With respect to physical climate risk, we see little impact on liquidity risk. We judge that even through there are environmental challenges, they will not directly affect the Bank's ability to maintain sufficient liquidity under current conditions.

Business risk

The climate risk associated with business risk largely relates to potential loss of income due to failure to adapt to changing customer behaviour and new regulations. This includes the cost of new technology and of adapting to meet the expectations of stakeholders. Damage to the Bank's physical properties and infrastructure may also disrupt day-to-day operations and push up costs, as well as affecting the Bank's income through direct impacts on customers. Higher insurance premiums and the need to cover climate-related risks may become a financial burden.

The short-term risk of the Bank being unable to make the necessary changes to its business model in order to safeguard its revenue streams is considered low. However, over the longer term, the growing need for new technology and changes in customer behaviour may suggest a higher risk. The Bank must also be aware of the potential for stricter regulations and higher expectations with respect to ethical conduct from its stakeholders.

Finally, even in the long term, the risk of physical climate change significantly affecting the Bank's business risk is considered low, as higher insurance premiums will mainly be passed on to customers.

Description of the Bank's processes for identifying and assessing climate-related risks

Retail market

The Bank has detailed processes for identifying and assessing climate-related risks within the RM. Its approach involves monitoring green mortgages, green home improvement loans and loans for EVs in order to detect any changes and trends that indicate a reduction in climate-related risks. This enables us to monitor how our financial products are helping to bring about a more sustainable society, as well as identify areas where there may be a need for further adjustments or new measures.

In order to assess physical climate risk and transition risk in our mortgage portfolio, we use data from Eiendomsverdi. This provides us with detailed information about each property in the RM portfolio, including important factors such as energy performance ratings, heating scores, year of construction and estimated fossil fuel share. This is vital to understanding the situation of each property in relation to climate change and how this may affect our risk profile. The analysis of physical climate risk also covers factors such as sea level rise, flooding, landslides and surface runoff, which can all have direct impacts on the collateral in the portfolio.

In addition to physical climate risk, we also assess transition risk on the basis of the estimated energy consumption and CO₂ emissions of each property. This enables us to estimate financed CO₂ emissions, giving us a detailed understanding of the overall climate impact of our loan portfolio. This information is vital to assessing how well prepared our customers and the properties the Bank has a mortgage on are for a low-carbon society, and how we as a Bank can contribute to the transition.

Corporate market

The Bank has implemented a thorough ESG assessment process for customers with over NOK 3 million in credit. After applying for credit, companies must perform an ESG and climate risk assessment. This is split into two modules: one module at the customer level and another module for the individual loan. Both modules include a general ESG assessment, as well as an industry-specific part which asks questions about ESG criteria relevant to the industry in question.

In the autumn of 2023, we introduced an additional module to improve the assessment of ESG and climate risk associated with individual loans. This allows us to perform a thorough analysis of the customer's ESG score both at the customer level and for the loan in question. The analysis forms a key part of the Bank's credit underwriting process and is vital to its efforts to avoid financial losses and

stranded assets, which is a risk associated with climate change.

If the ESG and climate risk assessments find a high or very high risk, there are procedures in place for drawing up compensatory measures. This may involve additional conditions linked to specific measures that the entity must implement. If these measures are not carried out in a satisfactory manner, it may be decided to increase the cost of financing or reduce the repayment term. This approach underlines the Bank's commitment to promoting sustainable business practices amongst its CM customers.

Description of the Bank's processes for managing climate-related risks

The Bank has comprehensive processes in place for managing climate risk, both within its own business and in its various business areas. Climate risk is carefully monitored and managed through annual calculations of greenhouse gas emissions. This is an important aspect of the Bank's efforts to reduce its own carbon footprint and make a positive contribution to the environment. By measuring our own emissions, we can set specific goals for reducing them and develop effective strategies for reaching these goals.

In addition to monitoring climate risk in our own business, the Bank uses advanced analytical methods for other business areas. For the CM, it assesses climate risk by performing analyses at the customer and portfolio level, while for the RM it uses scenario analyses for physical climate risk, as well as estimating energy performance ratings and CO₂ emissions. These analyses give us insight into how various climate-related risks may affect our customers and the Bank's business model. They help us to identify potential risks and opportunities, and provide a basis for developing measures and strategies to respond to these risks.

Through these processes, the Bank ensures that it is continuously striving to meet its internal targets, the Sustainable Development Goals and obligations under the Paris Agreement. By integrating climate risk management into all aspects of its operations, the Bank helps to create a more responsible and sustainable business community and region. This approach sits at the heart of the Bank's strategy for responding to the constantly changing climate-related and environmental rules in Norway and internationally.

How processes for identifying, assessing and managing climate-related risks are integrated into the Bank's overall risk management

Climate risk is an important part of the Bank's steering documents for risk and credit management,

and it is handled at the Board level through clear guidelines for assessing and managing the impacts of climate change. This is particularly relevant to the CM and RM portfolios. The risk management and compliance department is responsible for incorporating climate risk into the overall risk management framework.

Sustainability is an integrated part of all of the Bank's risk strategy areas. The sustainability working group, which is continuously working on climate risk, ensures that it is an area of focus for all of the Bank's specialist areas. The processes for identifying, assessing and managing climate risk are well integrated into the overall risk management framework. Looking ahead, the Bank will focus on climate risk, alongside a gradually increasing focus on disaster risk. Dedicated resources in the sustainability working group will continuously monitor and ensure that the Bank is up-to-date with developments and is managing these risks effectively.

Metrics and targets

Description of the metrics used by the Bank to assess climate-related risks and opportunities in line with its strategy and risk management process

Retail market

The RM uses green products such as green mortgages, green home improvement loans and loans for EVs to assess climate-related opportunities and risks. The Bank regularly reviews the performance of these products. Comparing the sale of green products with traditional, non-green products gives us an indication of trends and of how we are progressing towards our targets.

Climate risks in the RM have received increasing attention. We use data from Eiendomsverdi to assess the exposure of the properties in our portfolio to physical climate risk and transition risk. This includes information about the estimated energy performance ratings of properties which did not previously have one, and a survey of how exposed properties are to physical climate risks such as sea level rise, landslides, flooding and quick clay slides.

With the estimated energy performance ratings of properties which did not previously have one, the Bank is in a better position to understand exposure to transition risk from stricter climate-related rules, such as the EU's new Energy Performance of Buildings Directive. Detailed information about physical climate risk improves our ability to perform more thorough risk assessments and take informed decisions, so that we can adapt and be proactive in our dealings with customers and in response to climate change.

Corporate market

In 2022, the Bank started measuring the emissions of its CM portfolio using Statistics Norway's emissions factor methodology. With the help of Finance Norway's guidelines on calculating financed emissions, this year the Bank has carried out more detailed calculations of emissions from agriculture and forestry, resulting in a higher PCAF data quality score than for last year. For other industries in the CM, we have continued to use Statistics Norway's emissions factor methodology to calculate emissions, because the primary focus has been on agriculture and forestry.

Industries	Total financed greenhouse gas emissions (tonnes of CO ₂ e)	Carbon intensity (KgCO ₂ e per NOK million of lending)
Public sector	50	12 565
Agriculture and forestry	65 490	38 751
Fishing and hunting	14 325	6 856
Aquaculture and hatcheries	51	93
Industry and mining	15 122	18 856
Power/water supply	13 164	17 813
Building and construction	4 415	2 754
Commerce/retail	4 650	4 648
Transport	26 403	46 397
Hotel and tourism industry	1 180	2 505
Services	643	770
Property management	315	60
Total	145 809	9 334

In December 2023 the Bank joined the Partnership for Carbon Accounting Financials (PCAF), which will give us access to a comprehensive emissions database and guidance. That will enable us to calculate our financed emissions even more accurately in 2024.

Calculations show that the Bank is most exposed to financed greenhouse gas emissions in the agriculture and forestry, transport, and fishing and hunting industries. Between them, agriculture and forestry and transport are responsible for around 63% of financed emissions, whereas the Bank's loans to these industries represent roughly 14% of CM loans.

Limitations to the method

Our calculations are based on total emissions for a number of underlying industries within groups of industries. The model does not take into consideration differences between the industries, regional differences or differences in the emissions of individual companies. For example, it can be seen

that aquaculture and hatcheries have very low emissions compared with other industries, but the calculations do not take into account customers' purchases of inputs, or the transport of goods and services. This creates uncertainties in the calculations and makes it difficult to compare with other banks for the moment. For agriculture and forestry, we have used the industry-specific methodology set out in the Finance Norway's guidelines. This gives a data score of 3, which implies that it is not possible to perform more accurate calculations without receiving GHG accounts directly from our farming customers.

Results and future activities

The calculations provide valuable insights into the industries with most emissions and the highest emissions per million kroner of lending. This information helps us to prioritise industries with high emissions in our plans for reducing emissions by 2030 and 2050. Although so far only the farming and forestry emissions have been calculated using a relatively accurate method, in 2024 the Bank will continue working to calculate the remaining industries in accordance with Finance Norway's guidelines. As we go forward, this work will form an important part of our strategy, as the Bank must ascertain its current financed emissions in order to start the process of setting industry-specific targets for emissions reductions.

Own operations

You can learn more about this in the section called "Energy and GHG accounts".

Description of the targets used by the Bank to manage climate-related risks and opportunities and performance against targets

The Bank's strategic aim is to integrate climate risk management into all aspects of its operations. Through its overall strategy and sustainability strategy, the Bank is focusing on managing its climate-related risks and opportunities, with a goal of becoming carbon neutral by 2050. That involves changing various parts of our operations.

	Targets	31.12.2022	31.12.2023
Green covered bonds issued by year-end 2023	NOK 5 billion	NOK 1.9 billion	NOK 3.9 billion
Green senior bonds issued by year-end 2023	NOK 1 billion	NOK 0.2 billion	NOK 1.5 billion

Retail market

The Bank aims to offer a wide range of products that promote sustainable investments. Over the past year we have observed a significant improvement in the sale of green products.

Targets	Performance at (31.12.21)	Performance at (31.12.22)	Performance at (31.12.23)
By the end of 2024, we shall have NOK 5 billion of green mortgages and green home improvement loans	Green mortgages: NOK 730 million Green home improvement loans: NOK 1.5 million	Green mortgages: NOK 2.6 billion Green home improvement loans: NOK 7 million	Green mortgages: NOK 3.95 billion Green home improvement loans: NOK 12.5 million

The Bank has also increased the focus of its customers and advisers on sustainability. Customer advisers to the RM have attended an e-learning course on climate risk. Sustainability has also been high up the agenda at professional training events for advisers, particularly in relation to investment funds and saving. At one event in the autumn of 2023, advisers were given specific training on energy performance ratings for homes, which improves their ability to provide good advice on this topic.

Corporate market

In the CM, the Bank has identified the biggest climate-related risks and opportunities in its loan portfolio. In recent years, we have put a lot of work into developing and refining our ESG and climate risk assessments in conjunction with credit underwriting. In 2023, in particular, the focus was more on improving the quality of these assessments than on implementing new procedures requiring further training.

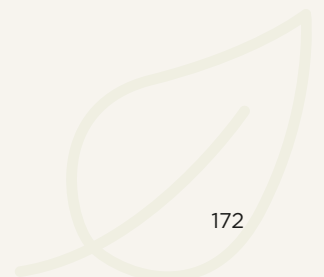
Based on risk assessments at 31.12.2023, the ESG and climate risk in the CM portfolio is distributed as follows:

Estimated climate risk	Loans in millions of NOK at 31.12.2023	% of loans by ESG score
Very low risk	2 136	11,7 %
Low risk	8 453	46,4 %
Moderate risk	2 071	11,4 %
High risk	26	0,1 %
Very high risk	0	0,0 %
Unclassified	5 532	30,4 %
Total*	18 217	100 %

* In the table above, we have included a number of agricultural properties, which in other listings are shown as lending to the private market.

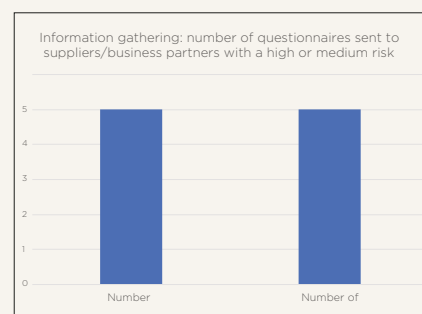
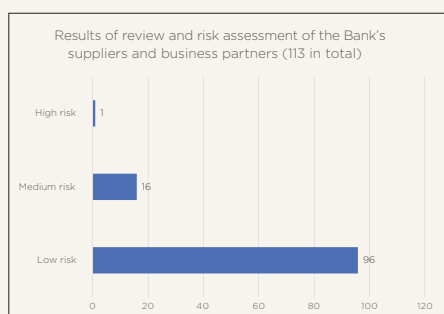
Our sustainability strategy set goals of clarifying our positions and of establishing requirements and expectations for our CM customers with respect to sustainability. In 2023 we adopted a new CSR and sustainability policy for the CM, which is something the Bank has been keen to communicate. It contains information about the credit underwriting guidelines for the CM, as well as setting out requirements and expectations of customers with respect to sustainability.

Looking ahead, the goal is to continue to strengthen and improve ESG and climate risk assessments. In addition, it will be vital to update and train our customer advisers, due to the continuous stream of new updates to climate policy, both in Norway and internationally. We recognise that there is still some way to our target of having NOK 300 million of green business loans and green agricultural loans by the end of 2024, but the Bank has implemented measures to increase the volume of these loans over the course of 2024.



Due diligence to comply with the Transparency Act

Summary of due diligence assessments									
Activity	Department	Description of activity	Manager responsible	Responsibility based on guidelines	Actual and potential negative impacts on human rights and decent working conditions are surveyed and assessed as follows	These separate measures have been implemented to stop, prevent or limit negative consequences based on the entity's prioritisations and assessments	How we monitor the implementation and results of the measures	How we communicate with stakeholders and rights-holders about how negative impacts have been managed	How we ensure, or cooperate on, restitution and compensation where necessary
A description of how Sparebanken Sogn og Fjordane operates									
HR	HR and legal	HR works internally on behalf of the Bank's permanent and temporary staff, and externally on areas such as employer branding and recruitment. HR is responsible for the whole employee life cycle, from application for a job until after leaving the Bank. Most of this responsibility relates to the employment relationship including contracts, remuneration, skills development and support. Various roles across the organisation have responsibilities relating to HR, but the HR Director has overall technical responsibility.	CEO, HR Director and legal department	<ul style="list-style-type: none"> Main collective agreement and the general agreement for the finance sector Sustainability strategy Diversity and inclusion policy SSF's remuneration policy Ethical guidelines Health and safety policy Employee handbook Procedures for reporting censurable conditions 	Each year, we perform a risk assessment of our own operations. We also work systematically to provide regular assessments to e.g. the Bank's work council, Senior Management Team and Board of Directors	Guidelines and procedures are updated and made available. Employee development and pay reviews held with all employees. Regular meetings and consultation with key players, such as employee representative council and work council. Employee satisfaction and commitment measured and monitored through employee satisfaction surveys and so-called pulse surveys. Regular reporting to Senior Management Team and Board of Directors in key areas.	See earlier description of measures in this area.	Negative impacts and/or nonconformities are reported in the internal incident database, or through anonymous channels. Negative impacts, or nonconformities, are reported in the incident database, nonconformities are reported and followed up. Health and safety issues are reported to the work council quarterly. Corrective measures are described and communicated in minutes, or are directly communicated to the affected parties. Measures are implemented and someone is given responsibility for them.	See description in previous column.
Purchasing	Finance	Purchase of goods and services for the Bank's operations. Signing contracts with suppliers and following them up.	CFO, Head of Purchasing	<ul style="list-style-type: none"> Procurement strategy Purchasing policy Purchasing procedures Ethical guidelines Guidelines on Transparency Act 	We assess all of our suppliers for risks relating to breaches of human rights and decent working conditions. Suppliers with a high risk are monitored carefully, while those with a medium risk are subject to a follow-up assessment in cases where we have a real influence. Suppliers with a low risk are assessed annually. Suppliers from whom we only make one-off purchases are not assessed. See the table for the results of the assessments.	In the event of unwanted incidents or breaches of rules, the Bank takes action to influence its suppliers to move in a positive direction. Suppliers in breach shall be followed up at least quarterly. If the measures taken do not have the desired effect, we consider ending our relationship with the supplier.	Ongoing assessment of new suppliers and business partners. We include requirements relating to sustainability and ethical business practice in all supply contracts. If a high risk is detected at a supplier, this shall be separately responded to by gathering information and potentially taking action.	No negative impacts have been detected yet. Hence not relevant.	No negative impacts have been detected yet. Hence not relevant.
Investment advice	Finance, operational department CM	The Bank does not perform its own fund management, instead offering Nornes Securities' funds. Nornes has its own approval process and uses Morningstar's sustainability ratings.	CFO	There are product management guidelines in place relating to securities. In addition, the funds we offer have a sustainability rating based on SFDR's classification system. The savings robot reviews sustainability preferences and then offers portfolios with a high weighting of funds that match the preference.	Our supplier has chosen a supplier of this data who enables an assessment of the quality of the individual funds offered to the customer.	Our supplier has chosen a supplier of this data who enables an assessment of the quality of the individual funds offered to the customer.	Product evaluation shall form part of the annual assessment. In general, SSF/ Nornes use suppliers of funds who focus strongly on sustainability in their fund management.	No negative impacts have been detected yet. Hence not relevant.	No negative impacts have been detected yet. Hence not relevant.
Finance	Finance	Purchasing and issuing financial instruments	CFO, Finance Director	<ul style="list-style-type: none"> Finance strategy CSR and sustainability policy 	Overall risk assessment of counterparties and stakeholders	Ongoing assessment of changes any new entities	See earlier description of measures	No negative impacts have been detected yet. Hence not relevant.	No negative impacts have been detected yet. Hence not relevant.
IT system	Business Support	Purchasing of information and communication technology, supplier relationship management, etc.	Business Support Director, Head of CRM system	<ul style="list-style-type: none"> The Bank's guidelines for subcontracting and procedures for subcontracting of ICT services Purchasing procedures Ethical guidelines 	Risk assessments. See comment in this column for "Procurement".	Risk assessments for major investments/new suppliers, and regular monthly reviews of the biggest suppliers.	If a high risk is detected at a supplier, this shall be separately responded to by gathering information and taking special measures.	No negative impacts have been detected yet. Hence not relevant.	No negative impacts have been detected yet. Hence not relevant.
Marketing	Marketing, Communication and Sustainability	The department purchases merchandise in conjunction with its marketing activities	Director of Marketing, Communication and Sustainability, Head of Marketing	<ul style="list-style-type: none"> Marketing policy Purchasing policy Guidelines on Transparency Act 	A general review, risk assessment and due diligence assessment has been performed for suppliers. See table for the results of the review. Suppliers with an elevated risk are required to complete a questionnaire and/or other measures are taken; cf. Guidelines on Transparency Act.	Continuous assessment of new suppliers, requirements relating to sustainability and ethical business practice for all suppliers. The Bank engages in close dialogue with its suppliers and has a particular focus on reducing waste and minimising plastic packaging.	If the Bank's assessments identify a high risk, it shall respond by gathering information through a questionnaire and potentially taking special measures.	No negative impacts have been detected yet. Hence not relevant.	No negative impacts have been detected yet. Hence not relevant.



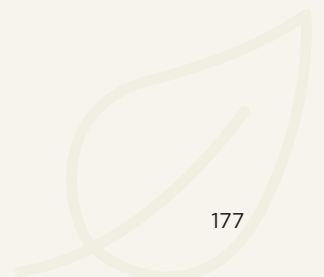
GRI Index

Area of focus	GRI-indicator	Description	Source	Where	Comments/direct reporting
STANDARD GRI INDICATOR	ORGANISATION AND REPORTING PRACTICE				
	2-1	Organisational details	Annual Report	Directors' report. Facts about Sparebanken Sogn og Fjordane	
	2-2	Entities included in the organisation's sustainability reporting	Annual Report	Facts about Sparebanken Sogn og Fjordane, Note 1 Accounting principles, section on Subsidiaries and associates, Note 32 Subsidiaries and associates	
	2-3	Reporting period, frequency and contact point			2023, annual, ingri.macsik@ssf.no
	2-4	Restatements of information			No changes
	2-5	Current practice for external assurance of reporting			No external verification of the report
	ACTIVITIES AND WORKERS				
	2-6	Activities, value chain and other business relationships	Annual Report	Facts about Sparebanken Sogn og Fjordane. Directors' report. Strategy, promoting sustainable development	Moreover, there have been no significant changes to the organisation's size, structure, ownership or supply chains during the reporting period.
	2-7	Employees	Annual Report	Directors' report	
	2-8	Workers who are not employees			We did not use any contractors in 2023
	GOVERNANCE				
	2-9	Governance structure and composition	Annual Report	Organisation and corporate governance, corporate governance	
	2-10	Nomination and selection of the highest governance body	Annual Report	Organisation and corporate governance, corporate governance	
	2-11	Information about the Chair of the Board of Directors	Annual Report	Organisation and corporate governance, Board of Directors	
	2-12	Role of the Board of Directors and Senior Management Team in overseeing the management of impacts	Annual Report	Organisation and corporate governance, corporate governance. Business areas and corporate social responsibility, promoting sustainable development	
	2-13	Delegation of responsibility for managing impacts	Annual Report sustainability appendix	Organisation and corporate governance, corporate governance. Strategy; promoting sustainable development Sustainability appendix, TCFD report	
	2-14	Board of Directors' approval of sustainability reporting	Annual Report	Strategy, promoting sustainable development	

Area of focus	GRI-indicator	Description	Source	Where	Comments/direct reporting
STANDARD GRI INDICATOR	GOVERNANCE, CONTINUED				
	2-15	Conflicts of interest	Annual Report	Directors' report. Organisation and corporate governance, corporate governance	
	2-16	Communication of critical concerns to the Board of Directors	Annual Report	Directors' report. Organisation and corporate governance; corporate governance	
	2-17	Board of Directors' collective knowledge about the sustainability strategy	Annual Report	Strategy; promoting sustainable development	
	2-18	Evaluation of the performance of the Board of Directors	Annual Report	Note 26	
	2-19	Remuneration policies	ssf.no	Remuneration policy available at www.ssf.no/berekraftsportal/berekraftsbibliotek/	
	2-20	Process to determine remuneration	Annual Report	Corporate governance. Remuneration policy available at www.ssf.no/berekraftsportal/berekraftsbibliotek/	
	2-21	Annual total compensation ratio	Annual Report	Organisation and corporate governance; corporate governance	
	STRATEGY, POLICIES AND PRACTICES				
	2-22	Statement on sustainable development strategy	Annual Report	About SSF, CEO's review. Strategy; promoting sustainable development	
	2-23	Policy commitments	ssf.no	www.ssf.no/berekraftsportal/berekraftsbibliotek/	
	2-24	Embedding policy commitments	Annual Report	Strategy; promoting sustainable development	
	2-25	Grievance mechanisms and processes to remediate negative impacts	Annual Report	Organisation and corporate governance, corporate governance. Strategy; promoting sustainable development	
	2-26	Whistleblowing and other mechanisms for seeking advice and raising concerns	Annual Report	Business areas and corporate social responsibility; our proficient team	
	2-27	Compliance with laws and regulations			No failure to comply of which the Bank is aware
	2-28	Membership of associations	Annual Report	Strategy; promoting sustainable development	
	STAKEHOLDERS				
	2-29	Approach to stakeholder engagement	Annual Report	Strategy; promoting sustainable development	
	2-30	Collective bargaining agreements			72% of employees are covered by collective bargaining agreements. The remainder are covered by a local company agreement and relevant legislation.
	3-3	Approach to material topics	Annual Report	Strategy; promoting sustainable development	

Area of focus	GRI-indicator	Description	Source	Where	Comments/direct reporting
FINANCIAL CRIME AND ANTI-CORRUPTION	ECONOMIC PERFORMANCE				
	201-1	Direct economic value generated and distributed	Annual Report	About SSF; key figures, consolidated. About SSF; CEO's review. Income statement, equity statement	
	201-2	Financial implications and other risks and opportunities due to climate change	Sustainability appendix	Sustainability appendix; climate risk (TCFD)	
	201-3	Pension obligations and other benefits			Not material to the Bank
	201-4	Financial assistance received from government			Not material to the Bank
	FINANCIAL CRIME AND ANTI-CORRUPTION				
	3-3	Approach to material topics	Annual Report	Strategy; promoting sustainable development	
	ANTI-KORRUPSJON				
	205-1	Transactions assessed for risks	Annual Report	Business areas and corporate social responsibility; financial crime	
	205-2	Communication and training about anti-corruption policies and procedures	Annual Report	Business areas and corporate social responsibility; financial crime	
	205-3	Confirmed incidents of corruption and actions taken	Annual Report	Business areas and corporate social responsibility; financial crime	
OUR EMPLOYEES	SOCIETY EMPLOYEES				
	3-3	Approach to material topics	Annual Report	Strategy; promoting sustainable development	
	EMPLOYMENT				
	401-1	Number of new employees and staff turnover	Annual Report	Business areas and corporate social responsibility; our proficient team	
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Annual Report	Note 26	The savings programme for permanent employees involving equity certificates is described in Note 26. Beyond that, permanent employees receive special rates on loans, savings products and insurance services. These benefits do not apply to temporary employees.
	401-3	Parental leave	Annual Report	Business areas and corporate social responsibility; our proficient team	

Area of focus	GRI-indicator	Description	Source	Where	Comments/direct reporting
OUR EMPLOYEES	TRAINING AND EDUCATION				
	404-1	Average hours of training per year per employee	Annual Report	Business areas and corporate social responsibility; our proficient team	
	404-2	Programmes for upgrading employee skills and transition assistance programmes	Annual Report	Business areas and corporate social responsibility; our proficient team	
	404-3	Percentage of employees receiving regular performance and career development reviews	Annual Report	Business areas and corporate social responsibility; our proficient team	100 %
	DIVERSITY AND EQUAL OPPORTUNITY				
	405-1	Diversity of governance bodies and management	Annual Report	Directors' report; pay, equality and diversity. Business areas and corporate social responsibility; our proficient team	
	405-2	Pay gap between men and women	Annual Report	Directors' report; pay, equality and diversity. Business areas and corporate social responsibility; our proficient team	
	NON-DISCRIMINATION				
	406-1	Incidents of discrimination and corrective actions taken	Annual Report	Business areas and corporate social responsibility; our proficient team	
	ENVIRONMENT				
ENVIRONMENT	EMISSIONS AND COMPLIANCE WITH ENVIRONMENTAL REGULATIONS				
	3-3	Approach to material topics	Annual Report	Strategy; promoting sustainable development	
	EMISSIONS				
	305-1	Direct GHG emiss	Annual Report	Strategy; promoting sustainable development	
	305-2	Indirect GHG emissions – from energy consumption	Annual Report	Strategy; promoting sustainable development	
	305-3	Indirect GHG emissions – other	Annual Report	Strategy; promoting sustainable development	
	305-4	GHG emissions intensity	Annual Report	Strategy; promoting sustainable development	
	305-5	Reduction of GHG emissions	Annual Report	Strategy; promoting sustainable development	





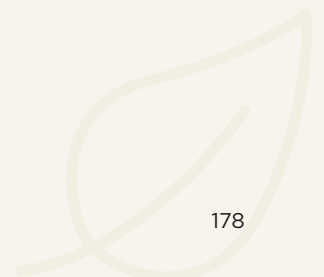
Carbon Accounting Report 2023

Sparebanken Sogn og Fjordane

This report provides an overview of the organisation's greenhouse gas (GHG) emissions, which is an integrated part of the organisation's climate strategy. GHG emission accounting is a fundamental tool in identifying tangible measures to reduce GHG emissions. The annual GHG emission accounting report enables the organisation to benchmark performance indicators and evaluate progress over time.

This report comprises the head office in Førde as well as the sales offices.

The input data is based on consumption data from internal and external sources, which are converted into tonnes CO₂-equivalents (tCO₂e). The GHG emissions analysis is based on the international standard; *A Corporate Accounting and Reporting Standard*, developed by the Greenhouse Gas Protocol Initiative (GHG Protocol). The GHG Protocol is the most widely used and recognised international standard for measuring greenhouse gas emissions and is the basis for the ISO standard 14064-1.



Reporting Year Energy and GHG Emissions

CEMAsys.com

Emission source	Description	Consumption	Unit	Energy (MWh)	Emissions tCO ₂ e	% share
Transportation total				51.2	12.3	-
Diesel (NO)		3,511.1	liters	34.4	8.0	-
Petrol		1,815.9	liters	16.7	4.3	-
Scope 1 total				51.2	12.3	-
Electricity total				1,085.8	30.4	-
Electricity Nordic mix		1,085,848.0	kWh	1,085.8	-	-
Electricity Nordic mix		-	GWh	-	-	-
District heating location total				138.1	0.2	-
District heating NO/Bergen		138,076.0	kWh	138.1	0.2	-
District heating general total				28.6	0.3	-
Electric heat/cooling pump Nordic (output)		28,601.0	kWh	28.6	0.3	-
Scope 2 total				1,252.5	30.8	-
Purchased goods and services total				-	1.6	-
Debit card		12,230.0	Qty	-	0.5	-
Debit card, bioplastic		28,200.0	Qty	-	1.1	-
Waste total				-	6.0	-
Paper waste, recycled		21,061.0	kg	-	0.4	-
Residual waste, incinerated		10,059.0	kg	-	5.5	-
Plastic waste, recycled		155.0	kg	-	-	-
EE waste, recycled		382.0	kg	-	-	-
Metal waste, recycled		1,410.0	kg	-	-	-
Business travel total				-	27.2	-
Air travel, domestic		19,652.0	kgCO ₂ e	-	19.7	-
Air travel, continental		2,739.0	kgCO ₂ e	-	2.7	-
Mileage all. car (NO)		25,756.0	km	-	1.8	-
Mileage all. el car Nordic		160,537.0	km	-	0.9	-
Hotel nights, Nordic	Norway	296.0	nights	-	2.2	-
Investments total				-	148,341.5	99.9 %
Carbon dioxide (CO ₂)	Wage earners and pensioners	2,532.8	tonne	-	2,532.8	1.7 %
Carbon dioxide (CO ₂)	Public administration	50.3	tonne	-	50.3	-
Carbon dioxide (CO ₂)	Fish farming and hatcheries	51.2	tonne	-	51.2	-
Carbon dioxide (CO ₂)	Agriculture and forestry	65,490.0	tonne	-	65,490.0	44.1 %
Carbon dioxide (CO ₂)	Fishing and trapping	14,325.2	tonne	-	14,325.2	9.7 %
Carbon dioxide (CO ₂)	Industry and mining	15,122.2	tonne	-	15,122.2	10.2 %
Carbon dioxide (CO ₂)	Power and water supply	13,164.0	tonne	-	13,164.0	8.9 %
Carbon dioxide (CO ₂)	Construction	4,415.1	tonne	-	4,415.1	3.0 %
Carbon dioxide (CO ₂)	Trade	4,650.1	tonne	-	4,650.1	3.1 %
Carbon dioxide (CO ₂)	Transport	26,402.8	tonne	-	26,402.8	17.8 %
Carbon dioxide (CO ₂)	Hotels and tourism	1,179.9	tonne	-	1,179.9	0.8 %
Carbon dioxide (CO ₂)	Service provision	643.3	tonne	-	643.3	0.4 %
Carbon dioxide (CO ₂)	Property management	314.6	tonne	-	314.6	0.2 %
Scope 3 total				-	148,376.4	100.0 %
Total				1,303.7	148,419.5	-
KJ				4,693,234,960.8		

Reporting Year Market-Based GHG Emissions

CEMAsys.com

Category	Unit	2023
Electricity Total (Scope 2) with Market-based calculations	tCO ₂ e	6.2
Scope 2 Total with Market-based electricity calculations	tCO ₂ e	6.7
Scope 1+2+3 Total with Market-based electricity calculations	tCO ₂ e	148,395.3

In 2023, Sparebanken Sogn og Fjordane had total greenhouse gas emissions of 148,419.5 tons of CO₂ equivalents (tCO₂e). This is a reduction of 176,796.6 tCO₂e, corresponding to 54.35% compared to 2022.

The greenhouse gas emissions in 2023 had the following distribution:

Scope 1: 12.3 tCO₂e (0.00008%)

Scope 2: 30.8 tCO₂e (0.0002%)

Scope 3: 148,376.4 tCO₂e (99.99%)

The reduction in total emissions is primarily due to a reduction in category 15 investments in Scope 3. In Scope 1 and 2, however, a small increase in emissions has been recorded, corresponding to 0.9 tCO₂e (Scope 1) and 2.6 tCO₂e (Scope 2). The increase in emissions from Scope 1 and 2 comes from a higher consumption of fuel reported in Scope 1, as well as higher consumption of both electricity and district heating reported in Scope 2.

Scope 1

Mobile combustion: Actual consumption of fossil fuel in the company's vehicles (owned, leased, rented). Total fuel consumption in 2023 was 3,511.1 liters of diesel and 1,815.9 liters of petrol. This amounts to a total of 12.3 tCO₂e and corresponds to an increase of 0.9 tCO₂e compared to the previous year.

Scope 2

Electricity: Measured consumption of electricity in owned or rented premises/buildings for all departments. The table on page 2 shows greenhouse gas emissions from electricity calculated with the location-based emission factor Nordic mix.

Emissions from electricity consumption have increased by 2.6 tCO₂e, which corresponds to an increase of 15.4 MWh.

Electricity with a market-based factor is presented in the table on page 4 of this report. The practice of presenting emissions from electricity consumption with two different emission factors is further explained under Scope 2 in Methodology and sources on page 10. Sparebanken Sogn og Fjordane purchased guarantees of origin for its electricity consumption of 1,085.8 MWh in 2023.

District heating: Use of district heating in owned/leased buildings. The consumption of district heating increased by 19.3 MWh from 2022 to 2023, which corresponds to an emission of less than 0.1 tCO₂e.

Heat pump: Use of a heat pump in owned/rented buildings. Total greenhouse gas emissions from the use of heat pumps ended up at 0.3 tCO₂e, which corresponds to an increase of 3 MWh from 2022 to 2023.

Scope 3

Business trips: Emissions equaling 27.2 tCO₂e have been recorded for business trips in 2023, which is a reduction of 8.8% compared to 2022, when emissions were 29.8 tCO₂e. The reduction mainly comes from the fact that a larger proportion of the km allowance was driven with an electric car in 2023, in contrast to 2022 when most of the km allowance came from cars that run on fossil fuel.

Flights: Emissions from domestic and continental flights, reported in kgCO₂e. Flights taken by the bank's employees produced greenhouse gas emissions of 22.4 tCO₂e in 2023. This is an increase of 6.2 tCO₂e compared to 2022, which corresponds to an increase of 38.27%. For 2023 it was primarily registered domestic flights.

Kilometer allowance: Reported km for which kilometer allowance was paid. Kilometer allowance was given for 25,756 km with fossil cars, and 160,537 km with electric cars. In total, this amounted to an emission of 2.7 tCO₂e in 2023 compared to 12.4 tCO₂e in 2022. Thus, the emission for km allowance has been reduced by 78.23% from 2022 to 2023. This stems from the transition from km allowance for fossil cars for mainly electric cars.

Hotel: Number of days in a hotel in the reporting year. The bank's employees spent a total of 296 days in hotels in Norway in 2023. This is an increase of 12 days compared to 2022 but corresponds to an increase of 83.9% in emissions. The reason for the strong increase in emissions is that the emission factor for hotel nights in the Nordics increased by 76.5% from 2022 to 2023.

Waste: Reported waste in kg divided into different waste fractions, as well as treatment method (recycled, energy recovered, landfill). Waste accounted for an emission of 6 tCO₂e in 2023. This is an increase of 1.3 tCO₂e or 28.3% compared to 2022. The increase mainly comes from the fact that residual waste for incineration increased from 8,808 kg in 2022 to 10,059 kg in 2023, in addition to the fact that the emission factor for residual waste for incineration increased by 9.8% from 2022 to 2023.

Purchased goods and services: Sparebanken Sogn og Fjordane has reported emissions for its 40,430 issued bank cards in 2023. There is a reduction of 10,855 in the number of cards issued compared to 2022. Bank cards are an essential part of a bank's business and are replaced every 3-4 years for all customers. The emissions linked to the bank cards produced emissions of 1.6 tCO₂e, which amounts to a reduction of 0.4 tCO₂e compared to the previous year. In 2023, the bank has used a larger proportion of bioplastics in its production of bank cards. Of the 40,430 cards issued, a total of 28,200 cards were registered with a larger proportion of bioplastic. In addition to a reduction in the number of bank cards issued, the transition from ordinary cards to cards with a greater proportion of bioplastics is also helping to reduce the emissions associated with purchased goods and services.

Investments: The bank has included emissions for its lending portfolio in 2023. This gives a significant footprint and contributes to emissions increasing significantly. A total of 148,341.5 tCO₂e has been registered for investments, and this constitutes 99.99% of the total greenhouse gas emissions of Sparebanken Sogn og Fjordane. In 2023, the bank has used a different division for the financial emissions than in 2022. These changes come from the bank wanting to follow the same industry division as in the financial accounts.

Emissions have been recorded for the following industries in 2023: Wage earners and pensioners, public administration, fish farming and hatcheries, agriculture and forestry, fishing and trapping, industry and mining, power and water supply, construction, trade, transport, hotels and tourism, service provision, and property management. The industries that make up the largest proportion of emissions are agriculture and forestry (44%) and transport (17.8%).

In 2022, the bank started measuring the emissions in the BM portfolio by using the SSB factor methodology. With support from Finans Norge's head of finance for greenhouse gas emissions, this year the bank has carried out more detailed calculations of emissions within agriculture, which has resulted in higher PCAF data quality than last year. For the other industries at BM, the bank has still used the SSB factor methodology to calculate emissions, due to the increased focus on the calculations of agriculture. In addition, Sparebanken Sogn og Fjordane changed the allocations to the industries, so that it is consistent with the financial reporting. The bank has also looked more at what they actually finance from the emissions of their business customers, which led to a decrease compared to the 2022 figure.

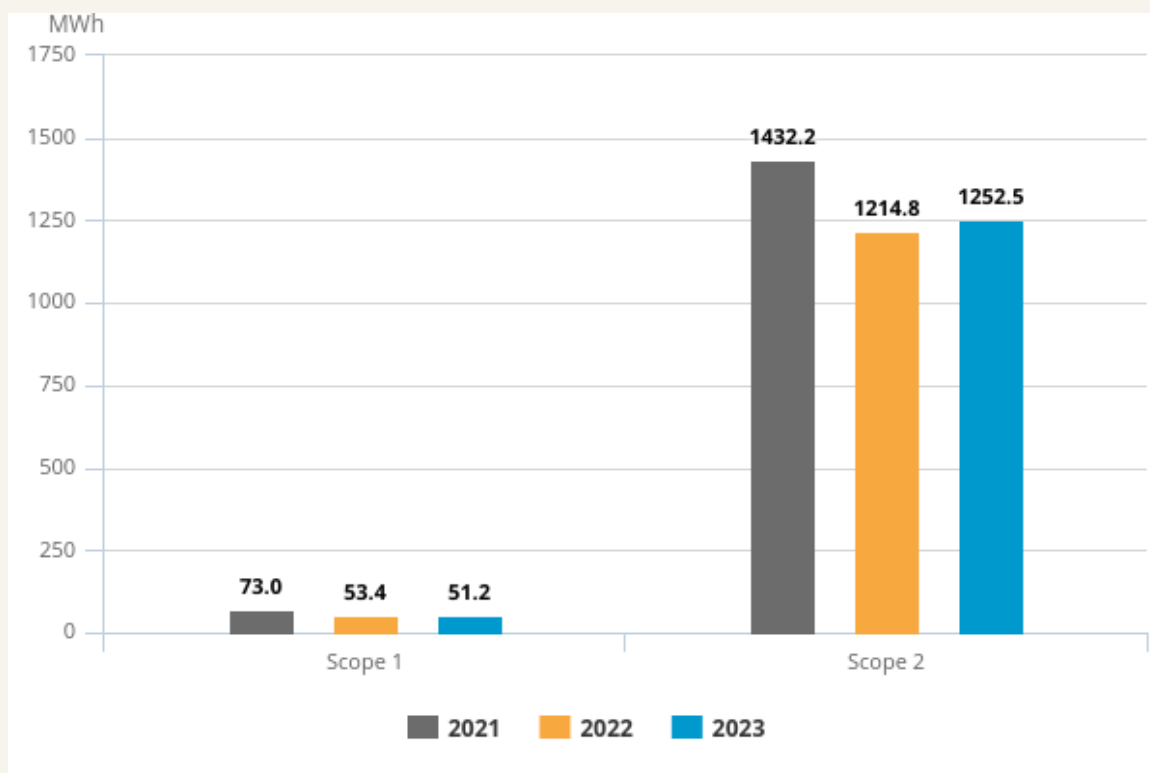
Annual GHG Emissions

CEMAsys.com

Category	Description	2021	2022	2023	% change from previous year
Transportation total		15.1	11.4	12.3	7.6 %
Diesel (NO)		12.4	7.4	8.0	7.7 %
Petrol		2.7	4.0	4.3	7.3 %
Scope 1 total		15.1	11.4	12.3	7.6 %
Electricity location-based total		38.8	27.8	30.4	9.2 %
Electricity Nordic mix		38.8	27.8	30.4	9.2 %
Electricity total		-	-	-	-
Electricity Nordic mix		-	-	-	100.0 %
District heating location total		0.4	0.2	0.2	-0.4 %
District heating NO/Bergen		0.4	0.2	0.2	-0.4 %
District cooling NO/Trondheim		-	-	-	-
District heating general total		-	0.2	0.3	59.8 %
Electric heat/cooling pump Nordic (output)		-	0.2	0.3	59.8 %
Scope 2 total		39.2	28.2	30.8	9.5 %
Purchased goods and services total		1.5	2.0	1.6	-19.6 %
Debit card		1.5	1.7	0.5	-70.9 %
Debit card, bioplastic		-	0.3	1.1	229.1 %
Waste total		8.5	4.7	6.0	28.3 %
Residual waste, incinerated		8.1	4.4	5.5	25.4 %
Paper waste, recycled		0.2	0.1	0.4	202.1 %
Plastic waste, recycled		-	-	-	-15.3 %
EE waste, recycled		0.1	-	-	-67.2 %
Metal waste, recycled		0.1	0.1	-	-70.6 %
Business travel total		16.7	29.8	27.2	-8.8 %
Mileage all. car (NO)		8.0	12.4	1.8	-85.9 %
Air travel, domestic, incl. RF		6.8	-	-	-
Air travel, continental, incl. RF		0.2	-	-	-
Air travel, intercontinental, incl. RF		-	-	-	-
Hotel nights, Nordic	Domestic/Nordic	1.7	-	-	-
Hotel nights, Nordic	Norway	-	1.2	2.2	83.9 %
Hotel nights, Europe	Europe	-	-	-	-
Mileage all. el car Nordic	Domestic	-	-	-	-
Mileage all. el car Nordic		-	-	0.9	1,655.2 %
Air travel, domestic		-	15.4	19.7	27.3 %
Air travel, continental		-	0.8	2.7	262.8 %
Investments total		-	325,140.0	148,341.5	-54.4 %
Carbon dioxide (CO2)	Agriculture	-	126,940.0	-	-100.0 %
Carbon dioxide (CO2)	Wage earners and pensioners	-	-	2,532.8	100.0 %
Carbon dioxide (CO2)	Public administration	-	-	50.3	100.0 %
Carbon dioxide (CO2)	Fish farming and hatcheries	-	-	51.2	100.0 %
Carbon dioxide (CO2)	Fisheries and aquaculture	-	29,500.0	-	-100.0 %
Carbon dioxide (CO2)	Agriculture and forestry	-	-	65,490.0	100.0 %
Carbon dioxide (CO2)	Industry and mining and extraction	-	100,320.0	-	-100.0 %
Carbon dioxide (CO2)	Fishing and trapping	-	-	14,325.2	100.0 %

Carbon dioxide (CO2)	Electricity, gas, steam and hot water supply	-	29,730.0	-	-100.0 %
Carbon dioxide (CO2)	Industry and mining	-	-	15,122.2	100.0 %
Carbon dioxide (CO2)	Building and construction business	-	12,460.0	-	-100.0 %
Carbon dioxide (CO2)	Power and water supply	-	-	13,164.0	100.0 %
Carbon dioxide (CO2)	Sales and operation of real estate	-	480.0	-	-100.0 %
Carbon dioxide (CO2)	Construction	-	-	4,415.1	100.0 %
Carbon dioxide (CO2)	Other transport and storage, pipe transport	-	11,860.0	-	-100.0 %
Carbon dioxide (CO2)	Trade	-	9,190.0	4,650.1	-49.4 %
Carbon dioxide (CO2)	Transport	-	-	26,402.8	100.0 %
Carbon dioxide (CO2)	Service industries	-	590.0	-	-100.0 %
Carbon dioxide (CO2)	Hotels and tourism	-	-	1,179.9	100.0 %
Carbon dioxide (CO2)	Accommodation and catering business	-	3,780.0	-	-100.0 %
Carbon dioxide (CO2)	Service provision	-	-	643.3	100.0 %
Carbon dioxide (CO2)	Other	-	290.0	-	-100.0 %
Carbon dioxide (CO2)	Property management	-	-	314.6	100.0 %
Scope 3 total		26.8	325,176.6	148,376.4	-54.4 %
Total		81.1	325,216.1	148,419.5	-54.4 %
Percentage change		-	401,084.2 %	-54.4 %	

Annual energy consumption (MWh) Scope 1 & 2



Annual Market-Based GHG Emissions

Category	Unit	2021	2022	2023
Electricity Total (Scope 2) with Market-based calculations	tCO ₂ e	12.8	-	6.2
Scope 2 Total with Market-based electricity calculations	tCO ₂ e	13.2	0.3	6.7
Scope 1+2+3 Total with Market-based electricity calculations	tCO ₂ e	55.1	325,188.3	148,395.3
Percentage change		-	590,258.4 %	-54.4 %

Annual Key Energy and Climate Performance Indicators

Name	Unit	2021	2022	2023	% change from previous year
Scope 1 + 2 emissions (tCO ₂ e)		54.2	39.6	43.1	8.9 %
Total emissions (s1+s2+s3) (tCO ₂ e)		81.1	325,216.1	148,419.5	-54.4 %
Total energy scope 1 + 2 (MWh)		1,505.2	1,268.2	1,303.7	2.8 %
Sum square meters (m ²)		9,498.0	8,474.0	8,474.0	-
Sum locations kWh/m ²		150.8	143.4	147.8	3.1 %
Total emissions (kgCO ₂ e (s1+s2+s3)) /FTE		286.4	1,129,222.6	513,562.1	-54.5 %
Total emissions (kgCO ₂ e (s1+s2+s3)) /area		9.4	41,705.1	19,033.0	-54.4 %
FTE	Number of employees	283.0	288.0	289.0	0.3 %
Heated area	Square meters	8,648.0	7,798.0	7,798.0	-

Methodology and sources

The Greenhouse Gas Protocol initiative (GHG Protocol) was developed by the World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD). This analysis is done according to *A Corporate Accounting and Reporting Standard Revised edition*, currently one of four GHG Protocol accounting standards on calculating and reporting GHG emissions. The report considers the following greenhouse gases, all converted into CO₂-equivalents: CO₂, CH₄ (methane), N₂O (laughing gas), SF₆, HFCs, PFCs and NF₃.

For corporate reporting, two distinct approaches can be used to consolidate GHG emissions: the equity share approach and the control approach. The most common consolidation approach is the control approach, which can be defined in either financial or operational terms.

The carbon inventory is divided into three main scopes of direct and indirect emissions.

Scope 1 includes all direct emission sources. This includes all use of fossil fuels for stationary combustion or transportation, in owned and, depending on the consolidation approach selected, leased, or rented assets. It also includes any process emissions, from e.g. chemical processes, industrial gases, direct methane emissions etc.

Scope 2 includes indirect emissions related to purchased energy; electricity and heating/cooling where the organisation has operational control. The electricity emission factors used in CEMAsys are based on national gross electricity production mixes from the International Energy Agency's statistics (IEA Stat). Emission factors per fuel type are based on assumptions in the IEA methodological framework. Factors for district heating/cooling are either based on actual (local) production mixes, or average IEA statistics.

In January 2015, the GHG Protocol published new guidelines for calculating emissions from electricity consumption. Primarily two methods are used to "allocate" the GHG emissions created by electricity generation to the end consumers of a given grid. These are the location-based and the market-based methods. The location-based method reflects the average emission intensity of the grids on which energy consumption occurs, while the market-based method reflects emissions from electricity that companies have purposefully chosen (or not chosen).

Organisations who report on their GHG emissions will now have to disclose both location-based emissions from the production of electricity, and market-based emissions related to the potential purchase of Guarantees of Origin (GoOs) and Renewable Energy Certificates (RECs).

The purpose of this amendment in the reporting methodology is twofold. On one hand it shows the impact of energy efficiency measures, and on the other hand this amendment displays how the acquisition of GoOs or RECs affect GHG emissions. Using both methods in emission reporting highlights the effect of all measures regarding electricity consumption.

The location-based method: The location-based method is based on statistical emissions information and electricity output aggregated and averaged within a defined geographic boundary and during a defined time period. Within this boundary, the different energy producers utilize a mix of energy resources, where the use of fossil fuels (coal, oil, and gas) result in direct GHG-emissions. These emissions are reflected in the location-based emission factor.

The market-based method: The choice of emission factors when using this method is determined by whether the business acquires GoOs/RECs or not. When selling GoOs or RECs, the supplier certifies that the electricity is produced exclusively by renewable sources, which has an emission factor of 0 grams CO₂e per kWh. However, for electricity without the GoO or REC, the emission factor is based on the remaining electricity production after all GoOs and RECs for renewable energy are sold. This is called a residual mix, which is normally substantially higher than the location-based factor. As an example, the market-based Norwegian residual mix factor is approximately 7 times higher than the location-based Nordic mix factor. The reason for this high factor is due to Norway's large export of GoOs/RECs to foreign consumers. In a

market perspective, this implies that Norwegian hydropower is largely substituted with an electricity mix including fossil fuels.

Scope 3 includes indirect emissions resulting from value chain activities. The scope 3 emissions are a result of the company's upstream and downstream activities, which are not controlled by the company, i.e. they are indirect. Examples are business travel, goods transportation, waste handling, consumption of products etc.

In general, the GHG emissions accounting should include information that users, both internal and external to the company, need for their decision making. A relevant consideration is the selection of an appropriate inventory boundary which reflects the substance and economic reality of the company's business relationships.

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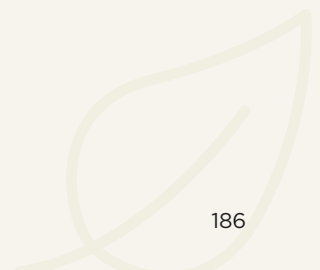
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The reference list above is incomplete but contains the essential references used in CEMAsys. In addition, several local/national sources may be relevant, depending on which emission factors are used.



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